EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,633

Friday December 13 1991

D 8523A

KOREAN ACCORD

North and South in historic pact

Page 4

World News

Two Koreas agree to end 40 years of hostility

Delegates from North and South Korea agreed on a declaration of non-aggression and reconciliation after more than 40 years of hostility. Page 20; *Historic accord*, Page 4

Delors misgivings
Dutch prime minister Ruud Lubbers and Commission president Jacques Delors said the Maastricht treaty would increase the momentum of European integration. But Delors had some foreign policy misgivings. Page 3

Hawke refuses to go
A defiant Bob Hawke refused *to resign as prime minister* of Australia in spite of advice from six of his most trusted cabinet colleagues that he should go. Page 20

Honecker takes refuge
Former East German leader Erich Honecker, fleeing manslaughter charges in Germany, took refuge in Chile's embassy in Moscow after Russia told him to go home. Chile said he is not entitled to political asylum. Page 2

Blow to Miyazawa
Japanese prime minister Kiichi Miyazawa suffered a political setback when one of his supporters resigned over allegations that he illegally received political funds. Page 4

Pressure on Bush
Chairman of the US House of Representatives armed services committee Les Aspin urged President Bush to issue an ultimatum that he will resume air strikes against Iraq if necessary to destroy its nuclear and chemical weapons projects.

Indian jobless fear
Trade union resistance to the Indian government's economic reforms seems likely to grow as a result of *projections* which point to a sharp increase in *unemployment*. Page 4

Berlin flights delayed
Flights to and from Berlin *were delayed for over an hour* after Germany scrapped the air corridors western aircraft had to take during the Cold War and introduced new flight patterns.

Anti-rape protest
Pakistani police fired tear gas *in Lahore to disperse demonstrators* protesting at the alleged gang-rape of a friend of opposition leader Benazir Bhutto. Page 4

Lagos cocaine haul
Nigerian agents seized 453lb of cocaine with an estimated *street value of* $32m in unclaimed baggage at Lagos airport after the arrival of two flights from South America.

Moi orders crackdown
Kenya's president Daniel arap Moi, under pressure from western donor countries to end *high-level corruption*, ordered the prosecution of any officials caught misappropriating public funds.

Luxor statues unveiled
Egypt's president Hosni Mubarak inaugurated a special section at the Luxor Museum *for 16 priceless Pharaonic statues* found by accident under the Luxor temple in 1989.

Business Summary

Gardini reveals allies in $311m French deal

Raul Gardini, former head of Italy's Ferruzzi group, revealed his secret allies in this week's FFr1.65bn ($311m) purchase of a stake in – and three *industrial units from* – Sucres et Denre'es, debt-laden French commodity trader.

They are Archer Daniel Midland, US agri-business group, Tate & Lyle of the UK and CIP, Luxembourg-based holding company controlling large starch production interests in Europe *and headed by* Pierre Callebaut. Page 21

PILKINGTON, UK glassmaker, is selling its South African interests for R525m ($189.5m), paving the way for one of the most significant takeovers in that country's recent corporate history. Page 21

CITROEN, French carmaker which is part of the state-owned Renault group, is expected because of intense competition in the European car market to break even in 1991, after net profits of FFr1.43bn ($260m) in 1990. Page 21

GATT: US executives say that there is too little time to negotiate the removal of barriers to financial services, under the current schedule for the *Uruguay Round talks*. Page 5

HARTSTONE, rapidly-growing UK company, is to become Europe's third largest hosiery *group, with the acquisition* of two continental European companies for a maximum consideration of £82.6m ($148.7m). Page 21; Lex, Page 20

JARDINE Matheson, Hong Kong-based trading group, is to seek shareholder approval to move its primary listing to London after its request for special "trading only" status on the Hong Kong exchange was turned down. Page 24

***LONDON** equities: UK prime* minister John Major's Maastricht performance and a strong Wall Street invigorated London equities with the FT-SE 100 index rising 43.1 points to 2,423.3. Lex, Page 20; London stocks, Page 31; World stocks, Page 42

PREUSSAG, German steel, trading, and energy group, earned an annual net profit of DM400m ($250m), compared *with DM350m in the truncated* 1989-90 period. Page 22

EC environment ministers agreed to a Community-wide "eco-label", to identify products which do least environmental damage. Page 3

JAPAN'S wholesale price index for November remained unchanged from a month earlier, but was down 1.3 per cent on the same month last year, raising market expectations of a further cut in official interest rates. Page 4

QANTAS, international airline which is being part-privatised by the Australian government, announced an annual net profit of A$44.3m ($34.2m), up from A$12.1m. Page 24

SANSUI Electric, Japanese consumer electronics company bought by Polly Peck International, indicated that Tatsuya *Inamiya is likely to step down* as president. Page 24

IMPERIAL Oil, Canada's biggest integrated oil company, *controlled by Exxon of the US*, is forecasting an annual loss on operations. Page 23

Baker seeks coalition to meet immediate humanitarian needs

US to hold aid conference to bolster Soviets

By **Lionel Barber** in Washington

AN international conference will be held in the US early next month to co-ordinate *emergency humanitarian aid* to the Soviet Union this winter, Mr James Baker, secretary of state, announced yesterday.

The aim is to build a US-led coalition of donor countries to meet "immediate and dramatically increasing Soviet humanitarian needs", Mr Baker said in a speech at Princeton University.

US officials said the plan marked an effort to build a global coalition similar to the *one President Bush assembled* in order to liberate Kuwait. The aim was to show that the fate of the Soviet Union was not a US problem but one which directly concerned many other countries.

Both through the tone and content of his speech, Mr Baker seemed to be staking out a bolder US policy toward the Soviet Union ahead of his talks with the Russian president, Mr Boris Yeltsin, the Soviet president, *Mr Mikhail Gorbachev* and other Soviet republican leaders next week.

Mr Baker offered a positive assessment of the revolutionary changes in the Soviet Union, speaking of "historic opportunities" and a chance to anchor Russia, Ukraine and other republics in a democratic commonwealth of nations.

He said the Soviet Union's "promising democratic revolution" had ended any fear of a nuclear war with the US.

The aid conference is due to take place in Washington early next month. Those invited are the advanced industrialised nations, eastern and central European countries and members of the Gulf coalition.

Mr Baker's announcement did not signal a new commitment *of direct financial* aid, but more an effort to ensure an orderly division of labour on humanitarian aid, US officials said. This was important because it was increasingly hard to find out which Soviet authorities were competent to deal with other states.

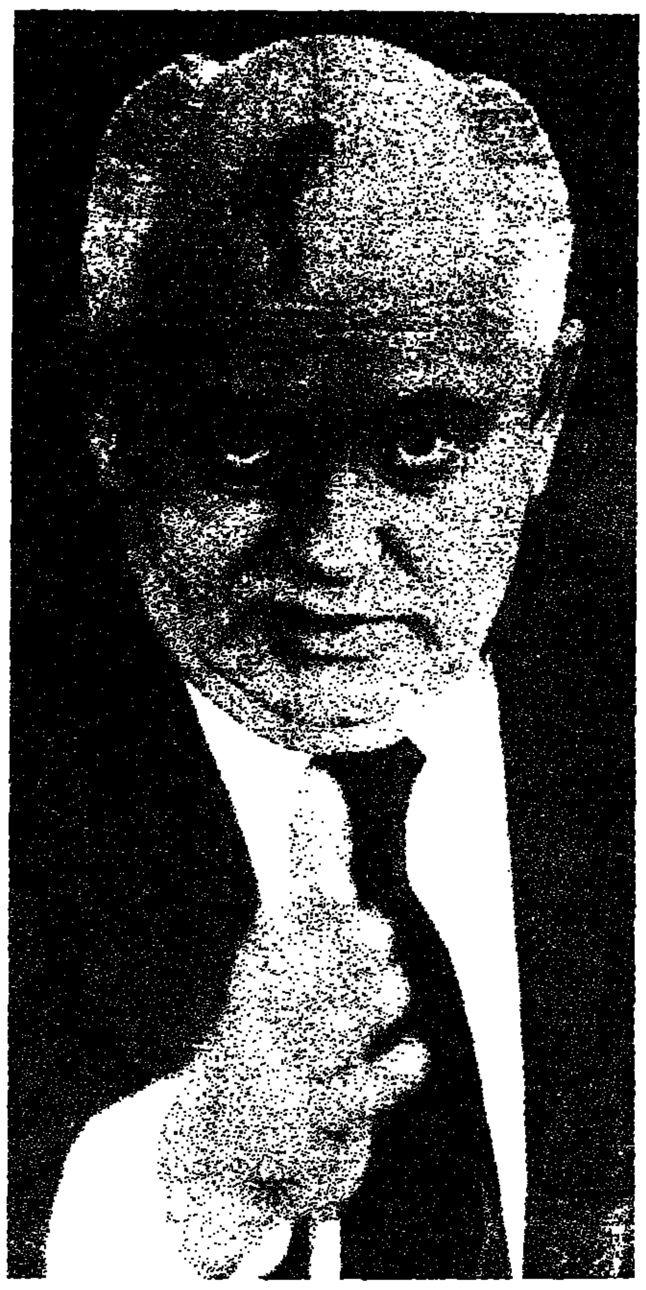
Mr Baker's announcement surprised some allies, and the White House was initially unable to offer details on the date of the conference or give a *guarantee that President* George Bush would attend.

Mr Marlin Fitzwater, the White House press secretary, announced separately that Mr Lawrence Eagleburger, deputy secretary of state, would co-ordinate all US aid programmes, totalling about $4bn to the Soviet Union and republics.

In his speech at Princeton, where he was a student, Mr Baker said that the conference should help the Soviet people *get through the winter* but would also "ensure they take the right steps this winter, spring and summer to ensure a better situation next winter".

This week, Mr Robert Gates, director of the Central Intelligence Agency, said the situation in the Soviet Union was dangerously unstable.

Mr Baker is known to be pressing for a more positive approach to the changes under way. In his speech, he said the US and its *allies* should focus on three tasks: helping the Soviets destroy and control the "the military remnants of the Cold War", including nuclear missiles; educating the Soviets in how to understand democracy and build political legitimacy; and encouraging economic stabilisation and future recovery.



Straight talking: President Mikhail Gorbachev yesterday

Russia endorses new commonwealth

Two decisions yesterday blew away most of the remaining superstructure of the Soviet Union, leaving Mr Mikhail Gorbachev clinging to the post of president by the thinnest of threads, writes John Lloyd in Moscow.

The Russian parliament swung massively behind Mr Boris Yeltsin, its president, to endorse the creation of a Commonwealth of Independent States of Russia, Ukraine and Belorussia agreed last weekend.

In Ukraine, Mr Leonid Kravchuk, the Ukrainian president, announced *that* all land, sea and air forces operating on Ukrainian territory – but still nominally controlled by Moscow – were under his command, excepting strategic nuclear forces.

Mr Gorbachev, in a two-hour news conference yesterday, indicated that his resignation was close, saying: "The main work of my life is done."

He said he would not take a post *in the* new commonwealth, and thought that the country was being "carved up like a pie".

"There is only one circumstance in which I would resign, and that is if the union state is buried," Mr Gorbachev was quoted as saying.

"I have done all that I could. I think that in my place others would long ago have given up, but I have managed to drag through, if not without mistakes, the main ideas of perestroika."

The future of the military, and of the strategic nuclear forces, remains both confused and dangerous following *yesterday's decision by* Ukraine.

Mr Yevgeny Primakov, the head of the foreign intelligence service, formerly part of the KGB, said the "three button" formula for control of the strategic missiles, under which the three Slavic leaders would jointly decide on a nuclear strike, was "nonsense".

"Of course there must be various people [involved], but not thousands of miles away from each other," he said.

Mr Kravchuk's decision to take control of troops on Ukrainian territory also con*tradicts assurances from* Mr Yeltsin and other Russian leaders that Mr Gorbachev remains commander in chief of a unified military.

It is clear Mr Kravchuk is now forcing the pace of dissolution – a fact some Russian deputies recognised when they complained that he had already altered the terms of *the commonwealth agreement*.

Tomorrow, Mr Yeltsin meets the presidents of the five Central Asian republics in Ashkabad, the capital of Turkmenistan, to discuss their relationship with the new commonwealth.

In his speech to the Russian *parliament, Mr Yeltsin* revealed he and Mr Gorbachev had agreed that "until most of the states join the new [commonwealth] agreement, the present structures will stay" - implicitly casting Mr Gorbachev's stewardship as a transitional role.

UN chief calls for care over Yugoslav republics

By **Robert Mauthner** in London

THE UN secretary-general, Mr Javier Pérez de Cuéllar, has expressed deep concern about the intention of some European countries, notably Germany, to recognise the independence of the breakaway Yugoslav republics of Croatia *and Slovenia*.

In a letter to Mr Hans van den Broek, Dutch foreign minister and current chairman of the European Community Council of Ministers, *he talks* about the possible "explosive consequences" of such a move.

Leaders of Bosnia-Hercegovina and Macedonia were among the many political and military figures who last week expressed to Mr Cyrus Vance, the UN special envoy, their "strong fears" about the consequences of premature recognition of the two republics.

Mr Pérez de Cuéllar added that many of the senior officials *who saw Mr Vance during* his latest mission to Yugoslavia described the probable result of such a development as a "potential time bomb".

He stressed that he was not calling into question the principle of self-determination enshrined in the UN charter. But he was deeply worried that any early, selective recognition could widen the present conflict in Yugoslavia, fuelling an explosive situation not only in *Bosnia-Hercegovina* and Macedonia, but the entire Balkan region.

The EC foreign ministers will on Monday discuss their policy over recognition of Croatia and Slovenia. Mr Pérez de Cuéllar, in asking Mr van den Broek to bring his concern to the attention of the ministers at that meeting, urged the 12 to avoid unco-ordinated actions.

He added that the EC had *been right to reiterate at its* political co-operation meeting in Rome last month that recognition of individual Yugoslav republics could only take place as part of an overall settlement of the Yugoslav conflict.

Germany is the most insistent member of the EC in *wanting to press ahead with* the recognition of Croatia, while Britain and France are fundamentally opposed to any move of this kind as long as the fighting continues in Yugoslavia.

Serbian resignation, Page 2

Goldman Sachs faces UK probe of MCC dealings

By **Robert Peston, Bronwen Maddox and Richard Gourlay** in London

BRITAIN'S Serious Fraud Office is considering launching a formal investigation into dealings by Goldman Sachs, the US investment bank, in shares of Maxwell Communication Corporation.

The SFO said yesterday it was examining papers on the MCC dealings provided earlier this week by the UK Department of Trade and Industry.

A government official with a close knowledge of the DTI inquiry said the papers related to two put options – or contracts to sell a specified number of shares – sold by Mr Robert Maxwell to Goldman Sachs.

It also emerged yesterday that evidence of a separate operation by the Mr Maxwell to support the MCC share price has been *uncovered* by Mr John Talbot, a partner of accountants Arthur Andersen, administrator of the Maxwell private empire.

Mr Talbot said he had identified £130m ($235m) of the private companies' funds which

had been used to buy MCC shares in April and July 1991. It is believed a stake of about 10 per cent was accumulated.

Mr Talbot said the money was paid to "overseas entities following their acquisition of *MCC shares". He added that* the £130m came from three companies within the Maxwell private empire – Bishopsgate Investment Trust, Robert Maxwell Group and London & Bishopsgate Group. He has identified a further £23m of the private companies' funds *which may also have been* used "for the same purpose".

Mr Maxwell needed to support the MCC share price in April and July, because more than £300m of borrowings by his private companies were secured on MCC shares. As the MCC share price fell, banks demanded more collateral from him, putting an ever increasing strain on his resources.

However, if his private companies were funding the share purchases, the acquisition of the shares should have been made public, under the UK Companies Act. But Mr Maxwell never disclosed that his effective shareholding in MCC had increased from the publicly disclosed level of 68 per cent to near 80 per cent.

In addition, he would have been forced to take MCC private, under London stock exchange rules, if the exchange had realised that his holding in MCC had exceeded 75 per cent.

The first option, sold on August 14 1990, gave Goldman the right to sell Mr Maxwell *15.6m shares in MCC* on November 30 at 185p – above the prevailing market price. That gave Goldman an incentive to buy shares, knowing it would *eventually* be able to pass them on to Mr Maxwell.

Continued on Page 20

Weekend FT

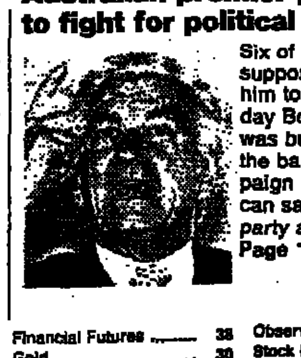
Tomorrow: The wine paradox – quality has never been higher, the public has never drunk less

●

A holiday with the spirit of Ibsen

CONTENTS

Australian premier prepares to fight for political survival



Six of his key cabinet supporters have urged him to go, but yesterday Bob Hawke (left) was busy drawing up the barnstorming campaign he still believes can save the Labor *party and his job*
Page 18

MARKETS

STERLING
New York lunchtime:
$1.8085
London:
$1.809 (1.81)
DM2.86 (2.8525)
FFr9.7675 (9.7425)
SFr2.525 (2.52)
Y234.0 (233.75)
£ index 91.0 (same)

GOLD
New York Comex Feb
$359.9 (368.6)
London:
$359.15 (366.05)

N SEA OIL (Argus)
Brent 15-day Jan
$18.575 (18.325)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.582
FFr5.4055
SFr1.399
Y129.3
London:
DM1.5805 (1.5765)
FFr5.4 (5.3825)
SFr1.3965 (1.3925)
Y129.2 (129.2)
Tokyo close: Y128.9

US LUNCHTIME RATES
Fed Funds: $4\frac{3}{16}$%
3-mo Treasury Bills:
4.243%
Long Bond:
$102\frac{21}{32}$
yield: 7.764%

STOCK INDICES
FT-SE 100:
2,423.3 (+43.1)
FT-A All-Share:
1,150.47 (−0.5%)
FT-SE Eurotrack 100:
1,040.33 (+8.26)
New York lunchtime:
DJ Ind. Av.
2,882.16 (+16.78)
S&P Comp
380.61 (+2.91)
Tokyo: Nikkei
21,712.57 (+209.67)

LONDON MONEY
3-month interbank:
$10\frac{13}{32}$% ($10\frac{5}{8}$%)
Liffe long gilt future:
Mar $96\frac{3}{4}$ ($96\frac{1}{32}$)

Milosevic hit by resignation of government

By Laura Silber in Belgrade and Judy Dempsey in Zagreb

THE Serbian government led by Mr Dragutin Zelenovic, the prime minister, resigned yesterday in a move which weakens the position of the Serbian president, Mr Slobodan Milosevic.

The government's resignation came against the background of heavy fighting in several areas of Croatia and growing internal criticism of the war and its disastrous economic and social side effects.

Mr Vojislav Kostunica, an opposition deputy in Serbia's socialist (former communist)-controlled parliament, said: "The resignation is the result of Milosevic's disastrous policies" which have led Serbia into a still undeclared war with Croatia despite campaign promises of peace and prosperity in elections last December.

The government's decision followed weeks of persistent rumours that Mr Zelenovic planned to quit. Two deputy prime ministers and six ministers resigned earlier this year, but the state-controlled media muffled any dissatisfaction.

"Milosevic must now choose a new government but it seems unlikely he will risk the establishment of a more competent and completely independent cabinet," Mr Kostunica of the opposition Democratic Party added.

Meanwhile officials from the central republic of Bosnia-Hercegovina have asked the European Community to send more monitors to the region after plans by the United Nations to send peace-keeping forces were blocked last week by Bosnia's Serbs.

The plea for more monitors made by Mr Alija Izetbegovic, president of Bosnia-Hercegovina, was disclosed yesterday by EC officials in Zagreb as heavy fighting between the federal army and Croatian forces flared up again throughout Croatia.

Bosnian officials yesterday said they feared the fighting in Croatia could spill over into the republic.

Croatian radio reported that Croatian forces were consolidating their positions around Nova Gradiska on the main road between Zagreb and Belgrade. Radio Zagreb said 13 villages near Pakrac, south of Zagreb, the capital, had been been recaptured by Croatian forces, and heavy fighting had taken place in Gospic, also south of the capital. It did not give any casualty figures.

Ukraine president decrees command over army

By Chrystia Freeland in Kiev

THE UKRAINIAN president yesterday signed a decree bringing the 1.2m Soviet troops stationed in Ukraine under his direct command, in a move which apparently undermined an earlier commitment by the three Slav republics to maintain joint control over the armed forces.

Mr Leonid Kravchuk, the normally cautious Ukrainian president, took the decision after a meeting in the morning with commanders of the three military districts in Ukraine and other officers stationed in the republic.

Ukraine is not seeking control over its nuclear weapons which, according to the treaty drafted in Belorussia last weekend, are to be controlled by a single command structure headquartered in Minsk. Ukraine has repeatedly underscored its intention to dismantle all nuclear weapons found on its territory at which time it would drop out of the unified command structure.

The Soviet army was the only institution still controlled by a central government fatally weakened by Ukraine's vote for independence earlier this month and the formation of a commonwealth of Slavic states last weekend.

If the officers on Ukrainian soil pay obedience to Mr Kravchuk's decree it will destroy the unity of the Soviet army, traditionally one of the principal threads which bound together the vast Soviet state. More than a quarter of the Soviet army is stationed in Ukraine and a high proportion of Red Army officers have a Ukrainian background.

The decree flies in the face of Russian president Boris Yeltsin's assertion on Wednesday that unitary armed forces were to be preserved. It also further undermines Soviet President Mikhail Gorbachev who constitutionally is commander in chief of the Soviet armed forces.

Mr Dmytro Pavlychko, the chairman of the parliamentary commission on foreign affairs and one of Mr Kravchuk's confidants, said that both Mr Yeltsin and Soviet minister of defence Yedgeni Shaposhnikov had been informed of the Ukrainian move.

Mr Pavlychko is confident that neither man will put up serious opposition and believes that Marshal Shaposhnikov has reconciled himself to a future role as commander only of the strategic forces.

Although more than half of the officers and a high proportion of the soldiers stationed in the Ukraine are ethnic Russian, more than two-thirds voted yes in Ukraine's referendum on independence and thus Ukrainian leaders are fairly certain of their loyalty.

Two of the three commanders of the Ukrainian military district, the heads of the Kiev and Odessa districts, have consistently opposed efforts to create an independent Ukrainian army but they may have changed sides after the referendum and the negotiations yesterday with Mr Kravchuk.

The fate of the Black Sea fleet remains unresolved. According to Ukrainian officials, at a meeting in Moscow earlier this week Mr Yeltsin assured the commander that the fleet was a strategic force and thus would remain under collective control. But yesterday Mr Kravchuk told the commander that the Black Sea fleet would be split into strategic forces under collective control and conventional forces which Ukraine was taking over.

Harvard economist backs 'shock therapy' for Russia

By Gillian Tett in Moscow

PROFESSOR Jeffrey Sachs, the Harvard economist and architect of Poland's "shock therapy" economic programme, threw his weight behind Russia's proposed reforms yesterday. His support is likely to reinforce the hand of Mr Boris Yeltsin, the Russian president, as he embarks on economic reform.

Prof Sachs believes Russia would need an initial cash injection of more than $15bn from the international community to carry through the programme. About $6bn was needed for immediate food and medical aid; some $6bn in credits to allow Russia to import "critically needed goods"; and a $5bn stabilisation fund to back measures taken to make the rouble fully convertible. Russia's current foreign debts would also need to be restructured, to allow it more time to repay.

Speaking in Moscow during a visit by international economists to advise the Russian government, Prof Sachs claimed the reform programme devised under the leadership of Mr Yegor Gaidar, deputy prime minister for economics, "contained all the essential elements" to eventually bring about macro-economic stability and rapid transfer to a market economy.

The key reforms needed, he said, were the immediate liberalisation of prices, widespread privatisation, rapid moves towards rouble convertibility and the immediate halt of cheap credits and subsidies to state enterprises – a move that could force thousands of state enterprises to close across the Soviet Union.

"If a man goes into a dentist with a sore tooth.... he would prefer to get the pain over quickly," he said. Although the coming months would be extremely painful for the Russian population, a sudden "shock therapy" reform programme was the only way out of the "catastrophic" economic situation, he said.

But in spite of Mr Yeltsin's apparent readiness to accept the "shock therapy" tactics now being proposed by International economists such as Prof Sachs, two central issues remain unresolved: the Russian government's reluctance so far to suggest, let alone implement wage controls in spite of the spiralling inflation; and the confusion over who now wields control over the all-union banking system and monetary supply.

Economic reform was impossible without a single central bank controlling the supply of roubles, Prof Sachs said. But he admitted that in spite of the announcement at the weekend by the Russian, Ukrainian and Belorussian leadership that they would be founding a Slavic commonwealth, no such central controlling bank had yet been defined in their agreement.

Members of the European Parliament yesterday resisted member states' pressure to find cash for the Soviet Union from inside the EC's 1992 budget, voting instead to add an Ecu1.6bn ($2.06bn) aid reserve to the Ecu65.6bn of budgetary commitments, writes Andrew Hill in Strasbourg. The European Council would like to switch money from, for example, research, but the parliament, which has to approve the budget, has always insisted on extra cash.

In protest at the council's intransigence (also criticised by the Commission yesterday) the parliament has rejected proposals to refund to member states Ecu938m of unspent EC agriculture funding.

Eggs are thrown at Honecker effigy in Berlin yesterday

UK loses commands in Nato reductions

By David White in Brussels

TWO senior Nato command posts allotted to British officers will disappear under plans agreed by ministers yesterday for streamlining the alliance's top military structure in line with post-cold war force reductions.

At the same time, Nato military chiefs said they wanted regular meetings with their counterparts in central and eastern Europe, including former Soviet republics, because of concern about the consequences of Soviet political disintegration.

The loss of two Nato command posts offsets the decision earlier this year to place Nato's planned new Rapid Reaction Corps under a British commander – a move only grudgingly accepted by the German government.

Nato's three main military commands are to be reduced to two with the abolition of a separate Allied Command Channel covering the area from the southern North Sea through the English Channel.

The commander-in-chief Channel (Cinchan), always a British admiral, has enjoyed the same status as the other two top posts, both filled by US officers – Supreme Allied Commander Europe (Saceur) and Supreme Allied Commander Atlantic (Saclant).

Nato's Northern Army Group, which has been part of Allied Forces Central Europe and headed by a British general, is also to disappear under the re-organisation of troops formerly deployed to defend west Germany's borders.

Defence ministers approved detailed military guidelines in line with Nato's revamped "strategic concept", which was agreed at the alliance summit in Rome last month.

The proposals for meetings between Nato military chiefs and their central and east European counterparts were discussed in Brussels yesterday at a ministerial meeting of Nato's Defence Planning Committee. The talks would be at chief-of-staff and defence minister level.

British officials described recent Soviet developments as "an enormous, dominating problem". Contacts were needed urgently to establish confidence that control of nuclear and chemical weapons was in safe hands.

General Vigleik Eide, chairman of Nato's military committee and the alliance's senior military officer, said the allies were anxious to ensure that nuclear weapons remained under effective political control, and in the hands of a moderate leadership.

Haughey tries to avert action on pay

By Tim Coone in Dublin

MR Charles Haughey, the Irish prime minister, is to meet public sector trade union leaders today in an effort to avert a wave of industrial action over pay in the New Year which could wreck Exchequer Borrowing Requirement (EBR) targets for 1992.

Over the past two months, the government has warned several times that promised pay awards of 3 per cent to the public sector in January 1992 cannot be met because the recession has thrown out revenue and budgetary targets.

Under the Programme for Social and Economic Progress (PESP) agreed last year, the government also promised special awards to low paid sectors. Together the awards amount to some I£340m (£319m).

The largest public sector union SIPTU, decided last night to ballot its members on industrial action should the government back out of the pay deal.

Leaders of the nurses, teachers, police and prison officers said "all elements of the PESP must be met in full".

Sweden cuts key bank interest rate

By Robert Taylor in Stockholm

SWEDEN'S central bank cut its interest rate for lending to the banks by 2.5 percentage points to 15 per cent yesterday following the strong flow of capital into the country over the past week. Only a week ago it raised the rate by 6 points to stem an accelerating flight of short-term capital and to protect the krona. More than SKr30bn left Sweden in the aftermath of Finland's 12.3 per cent devaluation of the markka on November 14.

The latest economic forecast for Sweden by the independent Konjunkturinstitutet suggests the recession could continue into 1993. It predicts a fall of 0.7 per cent in growth this year, and a growth rate of only 0.2 per cent in 1992 and 1.2 per cent the year after. Unemployment is expected to climb to 3.5 per cent next year and 4.1 per cent in 1993.

The survey suggests industrial investment will continue to fall, with a 19 per cent drop this year and a 6 per cent fall next year. A modest 3 per cent rise is foreseen in 1993.

G7 nations aim to find a way through food supply quagmire

By Anthony Robinson, recently in St Petersburg

PREVENTING starvation, bread riots and the premature slaughter of livestock in parts of the disintegrating Soviet Union will again be high on the agenda of the meeting in London today of deputies from the Group of Seven industrial countries.

Among the most likely flashpoints are Moscow and St Petersburg whose once-privileged supply links with the rest of the country have been most exposed to the collapse of the centralised distribution system and the economic separatism accompanying political disintegration.

Suppliers of food credits and aid, however, face serious logistical problems off-loading and despatching food and other goods through the city's ill-equipped port whose importance as gateway to Russia has been underlined by the loss of former Soviet Baltic ports, including Ventspils and Klaipeda which are the main oil export terminals for Soviet oil destined for west European markets.

But the existing harbour of St Petersburg has had little investment for decades. Naval ships have been pressed into service to ferry loads of German potatoes and other foodstuffs.

But once alongside the quays the goods unloaded by crane have to be manually loaded into freight trains. According to the port despatcher's office, the port can only handle a maximum of 1.2m tonnes of grain and 300,000-400,000 tonnes of general cargo a month while imports of refrigerated products is limited to the 12,000-tonne capacity of the refrigerated railway wagons.

The port badly needs new investment in refrigerated storage facilities for meat and other perishables, as well as grain silos and other undercover storage facilities to prevent spoilage. But the railways leading from the port have also suffered badly from under-investment and the Oktyabraskaya railway, which runs up to the Kola peninsular and south as far as Moscow faces bankruptcy as soaring inflation has seen costs skyrocket while fares have remained artificially low.

Security from pilferage is another problem. The potatoes and other foodstuffs being carried by the Baltic fleet are being transported by military trucks for storage and redistribution from military bases, a possibility also being explored by foreign aid workers seeking to ensure that food is not siphoned off by the mafia-like organisations which have substituted themselves for the former state distribution channels.

Independence for the Baltic states and the Ukraine has hit St Petersburg particularly hard. The short growing season and poor northern soils mean that only 20 per cent of its food supply is locally produced, and much of that depends on animal food grain imported from other republics.

Earlier this month the British government announced it was sending £20m ($36m) of feed grain to St Petersburg after food industry experts from the British Food Consortium, set up to advise and help the modernisation of food production and distribution networks, warned that livestock herds gradually built up over decades were threatened with premature slaughter.

Chileans to refuse asylum to Honecker

By Quentin Peel in Bonn and Leslie Crawford in Santiago

PRESIDENT Patricio Aylwin of Chile says his country will not grant political asylum to Mr Erich Honecker, the former East German leader, who has entered the Chilean embassy in Moscow.

One day after the Russian authorities announced that Mr Honecker, facing charges of manslaughter in Germany, must leave the country by today, he was taken in by the Chilean ambassador in Moscow as a guest.

The latest extraordinary twist in the Honecker saga follows months of efforts by the German government to force him to return to face trial for his alleged complicity in the "shoot-to-kill" policy enforced against East Germans attempting to flee the country over the Berlin Wall.

Soviet authorities, apparently backed by President Mikhail Gorbachev, have been reluctant to force the 79-year-old former Communist party leader back, after he was spirited to Moscow in March from a Soviet military hospital, allegedly to obtain better medical treatment.

The new Russian government has said that he should leave, and has now apparently decided he must go immediately. In response, Mr Honecker fled to the Chilean embassy, headed by a long-time personal friend, and issued an angry seven-point denunciation of the attempts to bring him back to Germany.

There is widespread anger in Germany that so far only minor figures, such as the soldiers guarding the Wall, have been prosecuted, and none of the main political figures who ordered refugees to be shot.

Mr Honecker's request for asylum is a potential embarrassment to Chile's coalition government, which has been under pressure from Chile's small Communist party to grant him asylum.

One of Mr Honecker's daughters married a Chilean and lives in Chile, and he has two grandchildren there. Mr Honecker's wife was allowed to visit Chile in October.

Polish party pull-out

Poland's free-market Liberal Democrats have withdrawn from the attempt to form a five-party centre right coalition government led by Mr Jan Olszewski, prime-minister designate, writes Christopher Bobinski. President Lech Walesa grudgingly nominated Mr Olszewski for the post last week under pressure from parliament.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

German SPD threatens to block treaty

By Quentin Peel in Bonn

GERMANY'S opposition Social Democrats (SPD) yesterday demanded the renegotiation of significant parts of the EC treaty on political union to bolster the powers of the European parliament and include 18 extra MEPs for the new states of united Germany.

They also served notice that they will insist on the treaties on monetary and political union being ratified with a full two-thirds majority of both houses of the German parliament, because they involve changes in the German constitution. Such a move would give the SPD the power to block ratification.

At the same time the German trade union federation (DGB) said it would challenge the British exclusion from the EC social charter, on the grounds of unfair competition.

Mrs Ursula Engelen-Kefer, deputy chairman of the DGB, said it was unacceptable for Britain to enjoy the full advantages of the single EC market, while being allowed exemption from minimum standards for the protection of workers.

She warned that it would make it easier for Britain to attract foreign investors by offering its lower social standards as a cost incentive, and then allow those investors to undercut other EC manufacturers paying full social protection costs.

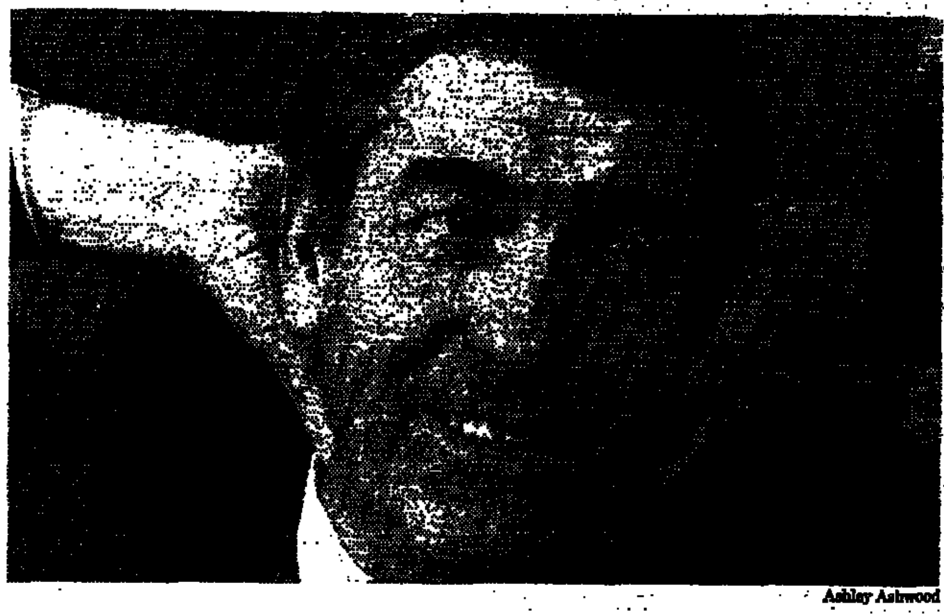
The combined attack from the left coincides with a groundswell of concern about replacing the D-Mark with a European currency. Both suggest that Chancellor Helmut Kohl could have a much more difficult ratification process than assumed hitherto.

The main SPD objection is over the failure to give the European parliament any additional powers in economic and monetary policy, and foreign and defence policy, even though national competences in those areas are being transferred to the Community.

In addition, the opposition is determined to exploit Chancellor Kohl's failure to obtain an additional 18 seats in the parliament for the former east Germany – but merely to have the problem considered.

RONALD VAN DE KROL LOOKS BACK AT THE DUTCH EC PRESIDENCY

Lubbers casts off role on high note



Ashley Ashwood

Ruud Lubbers: from draft treaty humiliation to personal triumph at Maastricht

THE success of the Maastricht summit is not only a personal triumph for Mr Ruud Lubbers, the Dutch prime minister, but also a diplomatic victory for the problem-plagued Netherlands' presidency of the EC.

With less than three weeks before it passes on the rotating EC presidency to Portugal, the Netherlands has regained the confidence it lost on September 30 when its original proposals for monetary and political union were rejected by every other EC member except Belgium.

The humiliation of "Black Monday" has now been erased, to the relief of many in the Dutch political establishment.

Though the Maastricht treaty has yet to be formally presented to the Dutch parliament for ratification, there is little doubt the document will be approved by an overwhelming majority, despite disappointment that the treaty does not do more to strengthen the European Parliament.

Mr Eelco Brinkman, the parliamentary party leader of Mr Lubbers' Christian Democrat party, told the lower chamber that the Dutch presidency had "attained the maximum results within the limited space that was available for manoeuvring."

That judgment, echoed by most politicians, was music to the ears of Mr Lubbers, Mr Hans van den Broek, the foreign minister, and Mr Wim Kok, finance minister, who travelled straight from Maastricht to set out the negotiating results before parliament.

If Mr Lubbers has one further wish for his country's turbulent EC presidency, then it must surely be that next week's two-day conference in The Hague on the signing of a European energy charter produces similar success. The energy charter conference – the brainchild of Mr Lubbers – aims to get 35 countries to agree on co-operation that will allow the Soviet Union's republics to exploit their energy wealth and central Europe to revitalise its economy.

Before he left for Maastricht, Mr Lubbers insisted that the Netherlands' presidency should be judged on more than the two-day summit alone. In a briefing for foreign correspondents, he cited the Netherlands' intense efforts, led by Mr van den Broek, to bring peace to Yugoslavia. In the circumstances, Dutch diplomacy achieved as much as could be expected. Another highlight of the Dutch presidency, he said, was the agreement on closer ties between the EC and Efta.

Nevertheless, after six months in the EC "hot seat" during an extraordinarily eventful period in recent west European history, the Netherlands will not be all that sorry to sit back and leave Portugal to pick up where it left off.

Delors tells of pact misgivings

By Andrew Hill in Strasbourg

A DISTINCTLY federal gloss was put on the Maastricht treaty yesterday by Mr Ruud Lubbers, prime minister of the Netherlands, which holds the EC presidency.

Opening the European Parliament's debate on the treaty, Mr Lubbers and Mr Jacques Delors, Commission president, said the treaty would increase the momentum of European integration.

Both predicted that despite reluctance to commit itself on social policy and monetary union at Maastricht, Britain would eventually fall into line with its 11 EC partners.

Mr Lubbers said the word "federal" had been dropped from the preamble to the treaty because it was open to wide interpretation. The amended reference to "ever closer union" with decisions taken as closely as possible to Europe's citizens was clearer.

Mr Lubbers' comments will fuel fears among Euro-sceptics in the Conservative party that Mr John Major's "victory" at Maastricht may prove hollow.

Mr Lubbers indicated that the eventual aim should be to bring Community foreign and defence policy – which will be conducted outside the Treaty of Rome – closer to the new European Union, a trend which would be resisted by the British government.

"A decisive step has been taken but we can't be happy with it. We haven't reached our destination yet," he said.

Mr Delors gave a particularly warm welcome to the Emu proposals and the moves towards a common EC defence policy.

But Mr Delors said he had misgivings about the decision-making process for foreign policy. He called for the 1996 review of the treaty to give more weight to the European union's political institutions.

MEPs' reactions to the Maastricht agreement were mixed, and the main political groups are reserving judgment on whether to accept the treaty. If Strasbourg rejects the deal, the Italian and Belgian parliaments have said they will refuse to ratify the treaty.

Socialist MEPs are angry about Britain's refusal to endorse the new social policy clauses and Mr Gerhard Schmid, leader of the German Socialists, said yesterday that British MEPs should be barred from votes on Emu and social policy. The British opt-outs also threaten to undermine Tory MEPs' attempts to link up with Strasbourg's Christian Democrat group.

US pleased by deal at Maastricht

By Lionel Barber, US Editor in Washington

PRESIDENT Bush has led a generally positive US response to the Maastricht treaty on European union.

Fears of an inward-looking, protectionist "Fortress Europe", fashionable in Washington three years ago, have subsided as opinion-makers have become better informed.

The EC has also earned respect (if not affection) because it is increasingly seen as a force for stability on a continent witnessing the break-up of the Soviet Union and civil war in Yugoslavia.

Mr Bush said the evolving monetary union and single EC market opened up investment opportunities for US companies, but he warned that the new Europe must work hard to prevent a failure in the Gatt world trade negotiations.

The US hopes a Gatt agreement can be reached by the end of the year; a satisfactory outcome is viewed within the administration as a litmus test for how open the EC intends to be in future.

Although Mr Bush declared support for the EC members' efforts to strengthen the Western European Union, he was careful to stress that the Nato alliance would "remain the essential forum for consultation among its members" on security matters and defence commitments.

Swiss urged to apply soon to join EC

By Ian Rodger in Zurich

MR René Felber, Switzerland's foreign minister, has urged his government to apply to join the European Community as soon as possible.

"After seeing what has happened at Maastricht, the members of the European Free Trade Association (Efta) who wish to join the EC will have to move quickly. I cannot tell you what the cabinet will decide, but I think it should not wait any longer," Mr Felber said.

He said there was a risk that Swiss voters would be confused if the government did not make its policy with respect to the EC clear. The Swiss are to vote in a referendum in December 1992 on whether to accept the agreement to form a European Economic Area (EEA), negotiated two months ago between the EC and the seven Efta countries.

"If we wait too long, we will complicate any discussions on the European area. We risk also that people who want to join the EC will be against the EEA," Mr Felber said. Negotiations to join the EC would undoubtedly end with another referendum, and it was important to prevent the meaning of the two votes from getting mixed up.

Mr Felber said he had no concern about joining a common European currency.

EC agrees eco-label for consumer goods

By David Gardner in Brussels

EC environment ministers yesterday agreed to introduce a Community-wide "eco-label", designed to identify for consumers products which do least damage to the environment.

The first products bearing the label should be in the shops next autumn.

The EC label is intended to harmonise standards, because of the increasing proliferation both of national labels and environmental advertising of dubious accuracy.

The balance of opinion in industry and commerce favours a market instrument which reliably identifies products according to their environmental impact. Products will be assessed on the "green" impact of their whole life-cycle – from manufacture, through consumption or use, to how they are disposed of.

The scheme is voluntary and decentralised, in keeping with the principle of "subsidiarity" inscribed in the new European Union treaty agreed at Maastricht on Wednesday. The European Commission will set standards through a regulatory committee made up of experts from member states, and in consultation with consumer groups, environmental lobbies, industry and commerce.

Awards will be made nationally, with a centralised appeals procedure to avoid lax implementation or cheating. Any product meeting the standards will get the label. Product groups governed by separate legislation, like food and pharmaceuticals or dangerous chemicals, are not covered.

National eco-labels, such as Germany's "Blue Angel" which has been stamped on 3,600 products since 1978, will co-exist with the EC scheme. But Commission officials hope the

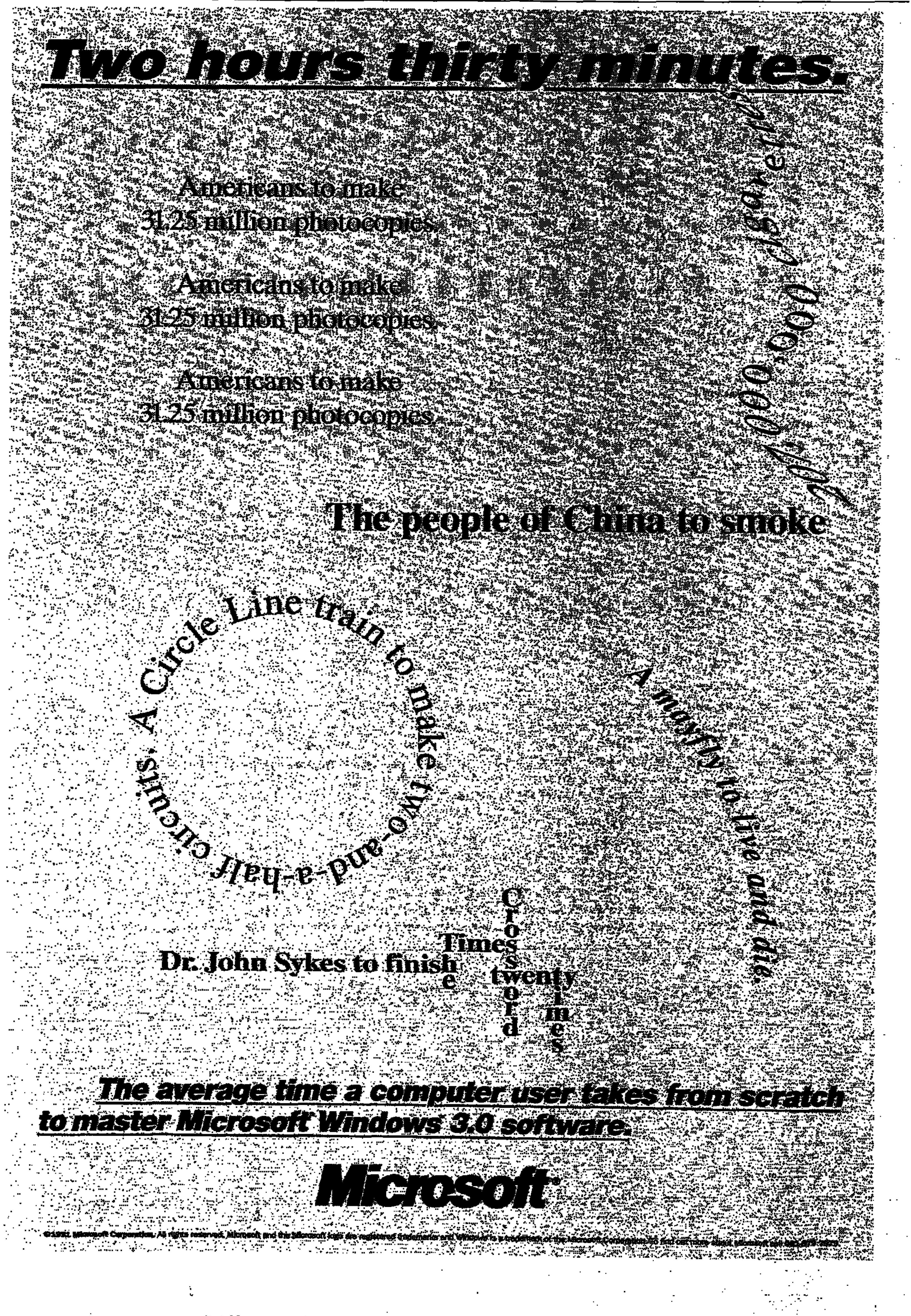
Community flower will eventually uproot them from consumer sentiment.

The environment ministers will today be joined by EC energy ministers, to take a joint view on the feasibility of introducing a mixed carbon and energy tax aimed at cutting greenhouse gases.

Commission expectations that it would get the go-ahead to bring forward legislation have dimmed. EC diplomats from several countries say the tax requires further, detailed study.

The Commission is proposing a tax levied half on the energy value of fuel and half on its carbon content. It would start with a levy equivalent to \$3 on a barrel of oil in January 1993, rising \$1 a year to reach \$10 by 2000. This is the date by which the Community is committed to stabilising carbon dioxide emissions at 1990 levels.

There would be exemptions for energy-intensive industries like steel and petrochemicals until such time as the EC's main competitors, the US and Japan, adopted similar measures. But concern that Europe would be blunting its competitive edge unilaterally is still widespread, particularly among the poorer, southern states.



INTERNATIONAL NEWS

Manila fails to act on IMF demand

THE Philippine Senate yesterday went into recess for Christmas without passing revenue measures required by the International Monetary Fund, leaving the country's borrowing programme from the IMF suspended, Reuter reports from Manila.

The failure to act will delay a proposed deal to restructure $5.3bn of Philippine commercial bank debt.

The Senate approved a national budget of 301.8bn ($11.5bn) pesos for calendar 1992, but voted to restrict foreign debt payments to 10 per cent of 1990 export revenues. Servicing and repayment on the country's $28bn external debt is equivalent to about 30 per cent of merchandise export revenue. President Corazon Aquino was almost certain to veto the debt cap, politicians said.

The IMF is refusing to release more money from a $900m loan package agreed last February until the government has the revenue measures in place to keep the budget deficit within target and put the loss-making National Power Corporation back on track. Politicians said the revenue measures would probably have to wait until sessions resume on January 13.

IMF endorsement of government policies, withheld since a scheduled review last July, is necessary for further Paris Club rescheduling of official debt next year and for a proposed restructuring of commercial debt to go ahead.

The IMF has not set any deadlines, but fund officials say meeting its requirements will become more difficult as the May presidential and congressional elections approach. Governments involved in a five-year, $10bn aid programme for the Philippines are also likely to be unhappy if the IMF programme is allowed to lapse and the next government has to renegotiate, diplomats said.

Mr Jesus Estanislao, finance secretary, who visits Washington next week, warned that the government could not afford to ease its austerity programme without jeopardising economic gains. He said in a memorandum to Mrs Aquino that the government was operating under very tight financial constraints and faced "a gargantuan challenge" in meeting proposed fiscal deficit targets for 1992.

Businessmen are banking on spending in the run-up to national elections next May to revive the economy, but Mr Estanislao has warned that the government cannot relax budget deficit targets if inflation and interest rates are to be reduced. "The tendency to give away the people's money to favour specific sectoral groups or constituencies must be resisted," Mr Estanislao told Mrs Aquino.

A tighter hold on money supply has brought down inflation from a six-year peak of 19.3 per cent in September, to a year-on-year rate of 15.8 per cent in November. The government hopes to bring this down to just under 10 per cent during next year.

Mr Estanislao says a planned reduction in government domestic borrowing in 1992 may also reduce interest rates on treasury bills to 17 to 18 per cent from the present level of just under 23 per cent.

Presidential contender Jovito Salonga addressing supporters in Manila yesterday, shortly before being ousted as Senate chief in a revolt that could foreshadow a bitter fight for the Philippine presidency in the 1992 election

Burmese junta closes universities to end protests

THOUSANDS of Burmese students yesterday made their way home from universities closed by the ruling junta, Reuter reports from Bangkok.

The authorities closed the country's universities to end protests demanding the release of the detained opposition leader and Nobel Peace Prize winner, Aung San Suu Kyi. Troops put down peaceful campus demonstrations with a show of bayonets and barbed-wire barricades.

The capital was quiet yesterday, but on Wednesday night a bomb exploded at the railway station in Mandalay, Burma's second city, killing two people and injuring 18, Radio Rangoon reported. The state radio said "unscrupulous subversive elements" were responsible.

Mandalay, a hotbed of anti-military activity during Burma's 1988 democracy uprising, was the scene of two demonstrations against the junta on Monday and Tuesday, said a spokesman for a parallel government established in the jungle by political exiles.

Larger demonstrations were held in Rangoon on Tuesday and Wednesday, until heavily armed soldiers, their bayonets unsheathed, isolated Rangoon University from the rest of the capital by building barbed-wire barricades. Thousands of military reinforcements were sent into the city.

Yesterday morning hundreds of troops took up positions outside the house where Aung San Suu Kyi has been detained since July, 1989, a diplomat said.

Korea's historic accord masks long road to unity

John Ridding puts yesterday's pact into perspective

THE SMILES on the faces of the North and South Korean delegates as they left yesterday's talks in Seoul said it all. After more than 40 years of hostility and five rounds of discussions between the prime ministers of the two sides, an agreement was finally reached.

"We made history today, record this moment," a North Korean delegate told reporters after leaving a closed session of negotiations which had agreed on a declaration of non-aggression and reconciliation.

Full details of the agreement have yet to be announced, and the prime ministers of the two countries have still to sign the agreement. But the fact that the first substantial political accord between the two sides has been accomplished may come to represent a watershed in the long history of disappointments which have dominated contacts between the two Koreas.

In concrete terms, the agreement will reinforce the armistice agreement which has maintained the uneasy peace across the Korean peninsula since the end of the Korean war in 1953.

There are also clauses stating that both Seoul and Pyongyang accept each other's political systems and refrain from slandering each other's governments. Telephone lines between the military leaderships of the two countries are to be installed and personal and media exchanges are to be increased.

But the agreement is perhaps more important for symbolic reasons. Anyone who has observed previous contacts between Seoul and Pyongyang will have been impressed by their genius for disagreement on the most basic of issues.

Analysts and diplomats in Seoul, surprised by yesterday's breakthrough, point to international pressures in explaining the change. In particular, economic hardship in North Korea and its increasing diplomatic isolation with the collapse one by one of communist allies, have prompted greater flexibility by Pyongyang.

Such flexibility was demonstrated by its decision to follow Seoul and apply for membership of the United Nations in September. It was also demonstrated by Pyongyang's decision to open negotiations with Tokyo aimed at normalising diplomatic relations.

But this week's talks have been the first time such flexibility has been applied to inter-Korean relations.

Compromise came, however, from both sides. Until now, Pyongyang has demanded that a non-aggression declaration be signed before any agreements on promoting economic or personal exchanges. Seoul has argued instead that measures to ease tensions must come before a non-aggression declaration.

In each of the four previous rounds of prime ministerial negotiations, which started in September last year, this disagreement has been the stumbling block. Yesterday's decision to combine the various proposals in a single agreement appears to have finally cleared the obstacle.

But despite the fanfare surrounding the successful outcome of this week's talks, celebrations need to be tempered. In particular, the agreement did not cover nuclear issues on the peninsula, perhaps the single most important concern to Seoul and its western allies.

Mr Lee Dong Bok, South Korea's spokesman at the talks and a special assistant to Mr Chung Won Shik, the South Korean prime minister, said nuclear issues would be discussed at separate talks. These talks are likely to prove intractable.

Yesterday's progress may also have little impact on the process of reunifying North and South Korea. The two will remain almost completely isolated, with no telephone or mail links between their peoples. For all its new flexibility in the international arena, the North Korean regime is showing no signs of domestic political reforms which might allow greater contact with the outside world.

"It is tempting to see any progress between Seoul and Pyongyang as a force which will break the logjam of division," said one diplomat in Seoul. "But what we are seeing is a welcome reduction in tensions between the two Koreas, not a dynamic for one Korea."

Key Miyazawa supporter quits

MR Kiichi Miyazawa, the Japanese prime minister, suffered a political setback yesterday when one of his supporters resigned over allegations that he had illegally received political funds, Reuter reports from Tokyo.

A spokesman for Mr Miyazawa's faction of the ruling Liberal Democratic party (LDP) said that Mr Fumio Abe, secretary-general of the faction, told colleagues he was quitting because he had caused the premier embarrassment. The Mainichi Shimbun newspaper has reported that Mr Abe admitted receiving Y100m (£431,000) from Kyowa Corporation, a steel frame manufacturer which went bankrupt late last year with debts of Y200bn.

Mr Abe's office has denied the report. The alleged sum involved is far above the legal ceiling for political contributions.

"The reports are totally groundless," a spokesman for Mr Abe's office said, adding that he was puzzled by the snap decision to quit. "I really don't know why he had to resign," he said.

Mr Miyazawa said earlier this week he had no knowledge of the alleged dubious deals.

According to press reports, Kyowa gave Mr Abe the funds in hopes of winning help in pushing through controversial plans to develop resort facilities including golf courses in Hakodate on the northern island of Hokkaido. Hakodate is Mr Abe's constituency.

Wholesale prices hold steady

By Robert Thomson in Tokyo

JAPAN'S wholesale price index for the month of November remained unchanged from a month earlier, but was down 1.3 per cent on the same month last year, raising market expectations of a further cut in official interest rates.

The Bank of Japan said the overall wholesale price index stood at 90.1, compared to a base of 100 for 1985, while the domestic price index was also unchanged from a month earlier at 96.1, but down 0.1 per cent from November 1990, the first year-on-year fall since January 1989.

Central bank has been concerned that cost pressures created by Japan's labour shortage remain a potential source of inflation. However, the bank said yesterday that lower raw materials costs had eased the pressure on prices.

The bank has cited the labour shortage as one reason for not quickly reducing official interest rates, as it argues that a sudden upturn in economic activity would intensify the shortage and push labour costs higher.

Prices of exports in November rose 0.4 per cent from October and were unchanged from a year earlier, while import prices were 0.3 per cent up on October, but 15.5 per cent lower than a year earlier, reflecting oil price fluctuations.

Pakistani protesters claim government violence link

By Farhan Bokhari in Lahore

HUNDREDS of protesters yesterday blocked the main road in central Lahore, Pakistan's second largest city, for almost an hour amid growing opposition-backed criticism of government leaders.

The demonstration was generally peaceful, although police fired tear gas shells when protesters started throwing rocks at the post office. Later, a police motorbike was set on fire, but riot police carrying batons stood close by.

Human rights activists, opposition politicians and workers were protesting against an incident last week when a close friend of former prime minister Benazir Bhutto was attacked and molested by masked gunmen at her home in Karachi. Ms Veena Hayat is the daughter of Mr Shaukat Hayat Khan, a veteran politician who once worked alongside the founder of Pakistan, Mr Mohammad Ali Jinnah.

Ms Hayat's friends and family have expressed the concern that she was the victim of last week's attacks because of her links with Ms Bhutto. Many of her friends, her father Mr Hayat and opposition politicians have accused Mr Irfanullah Marwat, home affairs adviser to the Sindh government of ordering the attack. The controversy has also involved President Ghulam Ishaq Khan, since Mr Marwat is his son-in-law.

At yesterday's demonstration protesters demanded the resignation of senior government leaders.

In recent days the government has denied any involvement and has ordered an inquiry by intelligence agencies. However, senior officials concede privately that the incident has become a source of embarrassment and could affect the government's credibility.

THE Pakistani province of Punjab yesterday denied that it was considering any action against Christina Lamb, a Financial Times journalist, over remarks in a book about Pakistan.

A Punjab government spokesman said a report in a Pakistani newspaper that it had recommended a death sentence was mischievous, unfounded and totally misleading.

No such recommendation had been made by the Punjab government to any quarter. Nor was any proposal to ban the book being contemplated by the provincial government.

On Wednesday, the British government had expressed concern about the report and sought urgent clarification from the Pakistani government.

Ms Lamb, whose book was entitled "Waiting for Allah", was formerly the Financial Times correspondent in Pakistan.

Sharp rise in Indian unemployment feared

TRADE union resistance to the Indian government's economic reforms seems likely to grow as a result of projections published yesterday pointing to a sharp increase in unemployment over the next two years, David Housego writes from New Delhi.

According to a study commissioned by the International Labour Organisation (ILO), unemployment will rise by an additional 4m to 10m, between now and 1994, because of measures supported by the International Monetary Fund to reduce the budget and balance of payments deficits.

The estimate does not include potential job losses from closure of public sector industries – now the focus of a serious dispute between the government and the unions.

The variation in the projections reflects different assumptions about the pace of economic activity over the next two years.

Moi vows to end corruption

KENYA'S President Daniel arap Moi, under pressure from western donor countries to end high-level corruption, yesterday ordered the prosecution of any officials caught misappropriating public funds, Reuter reports from Nairobi.

Mr Moi told a rally, at a park in the capital, to mark 28 years of independence: "This is an era of transparency and accountability". He said a switch to multi-party politics, announced last week, was meant to enhance democratic practices.

Commonwealth mission to S Africa

A six-member Commonwealth mission will visit South Africa to observe the constitutional talks which are to begin next week, writes Michael Holman.

The mission, which includes Sir Geoffrey Howe, British former foreign secretary, "represents an important development in the Commonwealth's relations with Pretoria", Chief Emeka Anyaoku, the organisation's secretary-general, said.

AMERICAN NEWS

Wholesale prices ease US inflation pressure

By Michael Prowse in Washington

WHOLESALE prices fell in the year to November, indicating weak demand is rapidly reducing inflationary pressures in the US economy.

The Labour Department said the producer price index for finished goods rose 0.2 per cent last month, a sharp improvement after an erratic 0.7 per cent increase in October. The index, however, was 0.5 per cent lower than in November last year.

Indices for producer goods at a less advanced stage of production – which indicate the likely future course of finished goods inflation – were even weaker. The index for intermediate goods was down 3.2 per cent on an annual basis; the index for crude goods was down 14.6 per cent.

Excluding the volatile food and energy components, finished goods prices rose 0.3 per cent last month, against 0.5 per cent in October.

Most analysts expect inflationary pressures at both wholesale and retail levels to continue moderating, giving greater scope for interest rate cuts to revive the sluggish economy. Retail sales rose 0.3 per cent last month, after seasonal adjustment but before allowing for inflation.

The economy is expected to be at best stagnant until the spring when the lagged effects of lower interest rates may spur a mild recovery. Some economists fear falling employment and confidence will lead to a further contraction of output.

Brady offers Congress talks on tax package

By George Graham in Washington

CONGRESS and the US administration yesterday took one more step towards agreeing on a package of tax-cutting measures.

Mr Nicholas Brady, treasury secretary, told the Senate finance committee yesterday that the administration would be flexible and was prepared to negotiate with Congress on the package of proposals that President George Bush plans to announce in his State of the Union address in January.

The secretary repeated the administration's refusal to accept any measures that would increase the federal budget deficit, raise tax rates or provoke a rise in long-term interest rates.

Even so, he said the administration would favour a tax cut for middle-income families as long as it did not increase the deficit and was not financed by heavier tax rates for high-income families. "That is social policy, not an economic growth agenda," Mr Brady said.

However, Mr Richard Darman, budget director, said the administration favoured using the peace dividend to reduce middle-income taxes over time.

As the administration and Congress members of both parties have climbed onto the tax cuts bandwagon, a rearguard of economists and legislators is still seeking to prevent a rush to enact measures that would provide a short-term economic stimulus – but too late to help with the current recession – at the cost of long-term US economic health.

For all that, and despite opinion polls showing little enthusiasm for tax cuts, efforts to create a tax-cutting package have gathered momentum. Senior figures in Congress now believe a package that bends the tight budget rules agreed last year is likely to be agreed.

This package could involve tax cuts which increase the budget deficit for one or two years, but are offset over a longer period by corresponding revenue increases.

"I think that's where we're going. I don't like it because it creates a bad precedent," said Congressman Leon Panetta, chairman of the House of Representatives budget committee.

The Bush administration has said that it would like to abide by the budget rules, negotiated at great political cost in 1990, but has opened the possibility of breaking the rules if it can do so with creating a panic in the financial markets that would drive up interest rates.

Argentina near debt proposal

THE Argentine government is putting together a comprehensive debt restructuring proposal to put to commercial banks when they open negotiations next month, John Barham writes from Buenos Aires.

Economy ministry officials say the proposal will be similar to previous debt reduction deals agreed by banks with countries such as Venezuela under the Brady debt reduction plan. A detailed proposal will not be settled until the day of the meeting with banks, although a general outline is now starting to emerge, they said.

Mr Domingo Cavallo, Economy Minister, has promised that Argentina's $61bn foreign debt will be fully restructured in 1992, a decade after the regional debt crisis began. Normalising relations with banks is viewed by the government as crucial in its efforts to ensure economic stability.

The outline suggests the government may offer banks options for clearing about $8bn in interest arrears. One option may be for banks to stretch payments over 15 years, the other to receive a partial up-front payment and capitalise the rest of the debt, which would then be treated as part of loan principal. Banks now receive token monthly interest payments of $60m.

On the remaining $35bn of bank debt, Argentina would offer these options to banks:

- The exchange of old loans for concessional bonds with reduced interest payments or a reduction in principal, perhaps of 37-40 per cent. Government bonds backed by US Treasury zero-coupon bonds would be security for the debt.
- A buy-back of debt for cash at the market price.
- New loans.

Talks are continuing with the IMF over compliance with a $1.04bn one-year standby programme that began in August.

New links across the border

Damian Fraser on the US and Mexican presidents' weekend meeting

WHEN Mexico's president, Carlos Salinas de Gortari, meets Mr George Bush tomorrow at Camp David, the two leaders will rightly claim that official bilateral relations have never been better.

The presidents will have met eight times since being elected three years ago, and a friendship of sorts has blossomed. The spate of issues that bitterly divided Presidents Ronald Reagan and Miguel de la Madrid in the 1980s – immigration, drugs and Central America – has been resolved or pushed into the background. Instead, Presidents Bush and Salinas have gone about (almost single-handedly) pushing their countries into a North American free trade agreement (Nafta).

The irony is that, now the relations between the two could hardly be better, they seem to matter less. The fate of the free trade agreement is in the hands of the US Congress, rather than those of the US president, Democratic members of Congress are responding to many pressure groups – from Hispanic businesses to labour unions – lobbying for or against the treaty.

The Mexican government, for perhaps the first time, has thus become embroiled in domestic US politics. Those Americans who oppose the treaty focus on Mexico's environmental record, poor protection of human rights, and often appalling labour conditions. Those in favour – big business and most Hispanic groups – talk about the Mexican economic miracle being engineered by Mr Salinas and his team of technocrats.

The Mexicans, then, have had to re-think their relations with the US. Good ties with the administration are now almost taken for granted but the government is looking to build relations with Congress and, crucially, with the US public. Mr Gustavo Petricioli, Mexican ambassador to Washington, is, such a firm believer that US foreign policy to Mexico is no longer made in Washington, but in letters to Congress members, that he spends more than a third of his time outside the capital selling the "new Mexico" to almost any American who will listen.

Ashley Ashwood

President Salinas: Backed by a team of technocrats

In this vein, the Mexican government has started for the first time to cultivate the 22m Hispanics (9 per cent of the US population), of whom more than half are Mexican-Americans, in the hope that they may become as effective a lobby for Mexico as American Jews have for Israel.

On coming to power, Mr Salinas appointed an ambassador-at-large for the Mexican diaspora, who travels Mexican-American communities promoting the home country. The president has invited prominent Mexican-Americans to Mexico, awarded them prizes, visited Mexican-American communities in the US, and fought for their rights at meetings with the US administration.

Mr José Niño, president of the Hispanic Chamber of Commerce in the US, says that, through these efforts, relations between Mexican-Americans and their home country have blossomed in the past three years. According to Mr Niño, some 200 Hispanic chambers of commerce have become activists for free trade with Mexico.

In Washington, the Mexican government has spent some $8m on a small army of lobbyists and public relations firms to sell Mexico and Nafta. Mr Timothy Bennet, a trade lobbyist for the Mexican private sector, says Mexico used not "to work Capitol Hill, ambassadors were terribly unsophisticated about how policy was made". Now Mexico's trade ministry has files on almost every member of Congress.

The intense lobbying by the Mexicans certainly helped ensure passage of the Nafta "fast track", which strips Congress of its power to amend a treaty. Democrats from the rust-belt states tended to vote against fast track but many sunbelt Democrats with large Hispanic communities voted in favour.

The lobbying by the Mexican government has encouraged the Mexican opposition to take their case to US public. Mr Cuauhtémoc Cárdenas, leader of Mexico's nationalist Party of Democratic Revolution, and other party members have crossed the US proposing a Continental Initiative on Development and Commerce that would incorporate workers' rights, US aid to Mexico, and the environment to the treaty.

Mexican intellectuals, frustrated by the lack of attention paid to them at home, have gone to the US Congress to inform attentive staff members of Mexico's undemocratic ways and lack of respect for human rights.)

Trilateral co-operation in the opposition to Nafta has been such that some academics have started to talk of an emerging North American polity. Ms Denise Dresser, of Grupo de Economistas y Asociados, has argued, in light of the debate over Nafta, that "events in Mexico are increasingly shaped by events in the US and vice versa, rendering the distinction between foreign and domestic affairs increasingly obscure". This notion might be a little premature but the time when the US State Department and Mexico's foreign ministry determined US-Mexican relations is well and truly over.

US executive pessimism over Gatt services pact

By William Dullforce in Geneva

TOP US executives say that there is too little time to negotiate the removal of barriers to financial services under the current schedule for completing the Uruguay Round trade talks. They may decide not to back an international services agreement when it is presented to Congress for ratification early in March.

Without binding commitments by other countries to open their markets to financial services an agreement would "provide virtually no tangible economic benefits to the US", the chairmen and executives of 15 large US services companies and trade associations said in a letter to President George Bush last month.

The chairmen of American Express, Citicorp and American International Group have told the Senate finance committee that a services agreement which did not eliminate existing barriers to trade would lock the US market open and the markets of many other countries closed. On Monday chief executives pressed their case to senior officials of the State Department and the National Security Council.

Officials from the US Coalition of Service Industries have been making the same points to trade negotiators in Geneva.

The US services industry would regard as inadequate an agreement comprising a tough framework of international rules and an annexe for financial services, but with little or no assurance that foreign markets would be opened, and with no mechanism to prevent "free riders" – countries that would sign the agreement but would make few, if any, binding commitments to liberalise.

More than 40 countries have tabled offers of liberalisation but US services executives say it would be impossible to negotiate detailed commitments in such a complicated field in six or seven weeks after January 13, the target date for the completion of final agreements in the Round.

"If there is not time to do it right, then negotiators must at least secure a down payment of initial commitments and address the free rider issue," Mr William Canis, vice-president for international corporate affairs at American Express, said.

"An agreement will not run in Congress if we say we have got a good set of international rules, and a standstill agreement under which countries promise not to raise new hindrances, but that rollback of restrictions might be five years down the road."

The situation is ironical because it was the US services industry that insisted against strong foreign opposition on having services put onto the agenda of the Uruguay Round.

US officials in Geneva say it is technically feasible to negotiate liberalisation commitments by March 1, but governments would need to be more serious about doing business and commit more staff and resources than they have done so far.

They say the US is insisting on including in the agreement provisions that would allow it to refuse to apply benefits to countries that in the US view did not offer sufficient liberalisation in financial services.

■ US semiconductor companies plan to ally with computer manufacturers in Europe to press for abolition of EC tariffs on imported computer chips.

Europe's chip manufacturers – led by SGS Thomson, Siemens and Philips – have long been at loggerheads with European computer manufacturers over their insistence on tariff protection.

News of the alliance – between the Semiconductor Industries Association (SIA) in the US, and Olivetti and Machines Bull in Europe – is therefore not unexpected, but heightens political pressure on EC chip makers. The EC charges a 14 per cent tariff on imported chips. European chip exporters complain that this costs them $340m a year.

EC computer manufacturers complain at the same time that the tariffs raise their costs and undermine their international competitiveness.

Japanese farmers at a rally in Tokyo yesterday in support of retaining the ban on rice imports

Japan's MPs split on rice imports

Japanese members of parliament, hitherto firmly opposed to rice imports, showed a rare sign of disunity at a mass protest called by farmers yesterday in Tokyo, Reuter reports from Tokyo.

Some 5,000 Japanese farmers and representatives of consumers travelled from all over the country to attend. The National Council of Farm Policy Representative Organisations urged all 703 members of the lower and upper houses to sign a petition calling for the rice import ban to be maintained. But only 565 agreed to sign, with several influential members including a former prime minister, Mr Yasuhiro Nakasone, and former deputy prime minister, Mr Shin Kanemaru, refusing.

Farm leaders said this could have serious political consequences.

Leipzig Fair comes in from the cold for a DM1bn facelift

By David Dodwell, World Trade Editor

Leipziger Messe

LEIPZIG is to convene 25 trade fairs in 1992, abandoning past communist bloc traditions of "universal fairs", and instead targetting specialist fairs ranging from environmental protection to computer-aided applications.

Mr Siegfried Mattern, managing director of the Leipzig Fair since August, said in London yesterday that DM1bn (£300m) is to be spent modernising facilities for the fair. This will include a new technical fair site on the city's outskirts, and rationalisation of the 16 existing city centre venues down to four. The government has granted DM300m as part of the aid to modernisation.

The centrepiece of the ambitious 1992 programme will be four fairs running in parallel in early March which will replace the traditional Leipzig Spring Fair. These will focus on industrial engineering, the environment, traffic engineering, and information exchange.

The Leipzig Fair, which has been held for 826 years, has in recent decades acted as a conduit for trade and investment between the former Comecon economies, and the west. German unification, and the collapse of communist regimes across eastern Europe, has therefore forced a radical rethink of the role of the fair.

With west German staff assuming executive control of the organisation since August this year, the fair now aims to be the focus for reconstruction and development of the eastern states of Germany, as well as maintaining a role as a conduit for trade and investment in eastern Europe.

Mr Mattern yesterday emphasised that the German federal government is targetting the former east Berlin, Leipzig and Dresden for rapid development: with both Leipzig and Dresden in the state of Saxony, this will underpin the importance of the fair in regional development.

He remains confident that Leipzig's special role as a conduit to the east will ensure future importance. He pointed to expertise in dealing with barter and compensation trade, as well as the arrangement of finance for deals with countries in eastern Europe.

He expects design plans for the new technical fair to be finalised by March, with work beginning early in 1993, and the fair site opening late in 1995. A rapid transit railway, and other new infrastructural work, is also intended to be ready by then.

EC to give go-ahead for tough curbs on use of aid to gain markets

This doesn't mean less aid — more could be spent on schools and hospitals rather than on promoting exports, writes William Dawkins

THE European Community is expected on Monday to give the green light to tough new rules to curb industrialised countries' abuse of aid budgets to buy market shares in the developing world.

A meeting of EC finance ministers is due to ratify the deal, agreed in principle by members of the Organisation of Economic Co-operation and Development (OECD) in October. It promises to be the climax of two years' sometimes heated negotiations on an idea originally tabled by the US and Canada, who had complained that the use of so-called tied aid was distorting free competition for some of the fastest growing export markets.

Officials from 22 of the 24 OECD member states will meet in Paris on January 27 to 29 to write up the rules, which are expected to come into effect in the first two months of 1992.

This will, for the first time, allow OECD members to vet in advance each others' aid projects to ensure fair play. The aim, say officials, is to settle bitter arguments over the use of aid to promote exports and to separate aid and commerce.

"Few people realise how revolutionary this is... It doesn't mean there will be less aid, but it does mean that aid will be used for schools and hospitals rather than for promoting exports," says one official.

But will it work? The deal has two main points: to ban aid to commercially viable projects; and to outlaw the use of aid to soften the terms on export credits to upper-medium income developing countries like Singapore and South Korea. An OECD committee, made up of trade officials from all member states except for Iceland and Turkey, is the body in charge of refereeing the new rules.

Iceland and Turkey do not take part in the OECD's arrangement on officially supported export credits. Known as the consultations group, the committee, will meet monthly in Paris and must be consulted on any officially funded aid project worth more than SDR50m (£38.8m). It will be up to the group to decide whether or not the projects are commercially viable, using as a rough yardstick whether a scheme has been offered bank finance, or if not, whether it ought to have been offered a loan from a commercial bank. There will be no vote, but a consensus on "lack of substantial support" among group members.

Projects worth less than SDR50m must also be notified to the group. But they will be automatically cleared, unless an OECD member exercises its right to raise an objection, in which case a consultation must be carried out.

Officials admit that these are rough yardsticks and that they will be working to a finer definition of commercial viability as they go along. The initial indications are that the consultations group is facing a "substantial" case load, mainly involving projects funded by Italy, Spain and France, which had held up the deal to obtain softer terms. Japan has also been a keen user of tied aid.

OFFICIAL AID AS PERCENTAGE OF GOVERNMENT SPENDING

	1986	1987	1988	1989	1990
Australia	1.3	1.3	1.3	1.3	1.3
Canada	2.1	2.2	2.0	2.0	1.7
Denmark	2.8	2.8	2.9	2.9	2.9
France	1.9	2.2	2.0	*	*
Germany	2.6	2.6	2.5	2.4	2.4
Italy	1.0	1.1	0.9	0.9	0.9
Japan	1.1	1.2	1.2	1.3	1.2
Netherlands	2.5	2.3	2.5	2.7	2.9
Sweden	2.7	2.9	2.9	3.1	3.1
UK	1.2	1.1	1.2	1.1	*
US	0.8	0.8	0.7	0.6	*

* Not available. Source: OECD

UK NEWS

European group calls three jails 'inhuman'

By Emma Tucker

THREE British prisons were condemned for their "inhuman and degrading treatment" of inmates by a council of Europe committee yesterday.

The prisons at Brixton and Wandsworth in south London, and Leeds in northern England, suffered from a overcrowding, inadequate activities for inmates, lack of cell sanitation and poor hygiene, said the report, written by a delegation from the European Committee for the prevention of torture and inhuman or degrading treatment or punishment.

Mr Kenneth Baker, the home secretary, under pressure following prison riots last year and the escape of two IRA inmates from Brixton prison this summer, did not accept the severity of the committee's criticisms. But he admitted conditions at the three prisons needed "improvement" at the time of the delegation's visit last summer.

The delegation heard no allegations of torture in any of the jails or police stations it visited nor was any evidence of torture found.

Prison reformers endorsed the findings of the report, which was published as Judge Stephen Tumin, chief inspector of Prisons, told the government that British prisons were "a long way from providing a humane environment in which the dignity of the individual can be preserved".

He recommended prisoners should be given more "meaningful" work.

"Sewing mail bags may be only marginally better than being locked in a cell," said the report.

AIR TRANSPORT USER'S REPORT

London's role as hub at risk

By Daniel Green

LONDON WILL lose its pre-eminence as the European hub for air traffic unless an extra runway is commissioned at any of London's three airports, warned the independent Air Transport User's Committee (AUC) in its annual report yesterday.

The AUC has long campaigned for the extra capacity. "That successive governments have failed to provide this is a national scandal," said Mr John Cox, the AUC's chairman.

He said that Paris and Amsterdam were well-placed to take up any traffic that overflowed from London. A new runway was needed by the turn of the century.

The Civil Aviation Authority (CAA) and BAA, which operates most UK international airports, acknowledge capacity problems. Their priority, however, is to build a £1.3bn fifth terminal at Heathrow airport to the west of London, used by more international passengers than any other airport.

A report on runway capacity in the south east of England is due to be submitted by government working party to the secretary of state for transport before the end of 1992.

A decision to go ahead with construction would be controversial, with environmentalists and local residents trying to hold back rising noise and air pollution. It would probably be preceded by a public inquiry.

For environmental reasons, another runway at Heathrow is unlikely. Stansted, north of London, is a more probable choice. But a new terminal at Stansted was opened this year and the AUC says the capability of the airport to attract big carriers is largely untested.

The AUC also reported yesterday that the most common complaint it received from passengers was over flight ticket restrictions. Many buyers of cheap tickets were not being told of the small print that makes it expensive to cancel or change the flight.

The European Commission also came under attack for its "limp" response to complaints that some European air fares were too high. The AUC called for legislation and heavy fines to prevent "excessively high fares" and predatory pricing.

The AUC renewed its call for smoke hoods to be introduced on aircraft. It said these were the best protection against smoke and fumes in case of a fire on board.

It claimed to have medical evidence that the CAA's preferred solution, water sprinklers, "would not provide passengers with complete protection."

HESELTINE SEES VISION OF CAPITAL

A RADICAL initiative in development control in London, designed in particular to extend and improve green areas in east London, were foreshadowed yesterday by Mr Michael Heseltine, environment secretary, in a speech on the future of London, writes Andrew Adonis.

But Mr Heseltine gave no indication of government plans to reform the government of London, despite growing calls - some from leading Conservatives - for an authority to tackle strategic transport and land use issues relating to the capital.

The government was prepared to consider vacating Somerset House, on central London's Strand, head quarters of the Inland Revenue, and was looking for "some imaginative public use" for the building.

Beyond that, Mr Heseltine offered little but praise for the status quo. "What matters is the range of London's strengths, a range unparalleled elsewhere", he said. "It is the centre of gravity that draws the world and gives its own citizens unrivalled diversity."

Editorial comment, Page 16

'Flawed' figures mar safety record

By Diane Summers, Labour Staff

OFFICIAL figures on the number of workers injured each year in Britain are seriously flawed, with over two-thirds of workplace accidents remaining illegally unreported, the Health and Safety Executive (HSE) disclosed yesterday

Mr John Rimington, HSE director general, appealed to the courts to recognise the seriousness of offences that led to deaths and accidents at work.

He said, however, a recent comparative study of health and safety in European Community countries showed Britain had the best industrial safety record, with Germany as Britain's closest rival in low overall accident rates.

The latest estimates of injury levels "do not affect our comparative position in Europe," he said.

The latest picture, based on a survey of households, rather than employers' returns, means that industry should be reporting to the authorities about 680,000 non-fatal but serious accidents each year: compared with under 200,000 currently recorded.

He warned that "big money" was now being lost: "The cost of employers' liability insurance is now running at £570m a year. Do companies realise that incidents which are usually entirely preventable may be costing 10 per cent or more of their operating margin?"

The latest figures show there were a total of 590 fatalities to employees and members of the public arising out of incidents covered by health and safety at work laws. This compares with 681 the year before.

Construction remains the most dangerous sector with, says HSE, "unacceptably high" numbers of deaths and injuries. On average, a construction worker is killed every three days and a member of the public every month, show the figures.

After substantial reductions in the 1960s and 1970s, employee fatalities in industry overall seem to have levelled off at around 360 a year, said HSE.

Increasing fragmentation of industry, the growth of self-employment, and a spread in the use of subcontractors meant that safety standards were under threat, said Mr Rimington.

Cold Comfort Farm: Freezing weather gripped many parts of the UK, such as rural parts of Yorkshire (above) where temperatures fell to -10 degrees Centigrade. Ice, freezing fog, heavy frost and snow hit some roads and rail services. Weathermen warned there could be worse to come.

BRITAIN IN BRIEF

Ford expects big increase in exports

Ford of Britain, the subsidiary of the US group, said export production of cars would nearly triple this year from 1990 levels, raising export earnings to more than £2bn.

Mr Ian McAllister, the new chairman of Ford of Britain, predicted earnings from overseas sales would rise by 35 per cent, to £2.16bn from £1.6bn in 1990 as production is set to increase to 174,000 from 64,000.

Total sales next year should rise to 1.74m - 1.75m, an increase of around 10 per cent on the 1.58m total Ford now expects for 1991 said Mr McAllister. Within that total, he expected Ford to reverse several years of decline in its own market share, helped by the introduction of new models.

Bankruptcies 'at worst level'

The opposition Labour party claimed that bankruptcies had reached their worst level for more than 20 years with official figures showing the recession was closing more companies than were being formed.

Mr Gordon Brown, Labour's trade spokesman, said business failures had risen by 71 per cent this year, with every British region showing a rise of over 50 per cent in companies' filing for bankruptcy.

TVS seeks legal action

TVS entertainment applied to the High Court for leave to seek a judicial review of the Independent Television Commission's decision not to renew its franchise for south and south-east England.

The ITC now faces legal challenges from three of the losers in the October auction of UK television broadcasting franchises, raising further doubts about whether the shape of the new ITV network can be finalised in time to begin broadcasting at the beginning of 1993.

Engineers seek budget change

The Engineering Employers Federation has called on the government to increase capital allowances in next year's Budget from 25 per cent to 40 per cent to stimulate manufacturing investment.

The EEF's demands were put to Mr Norman Lamont, the chancellor of the exchequer, by a delegation led by Sir David Lees, EEF president. They argued for a progressive increase in capital allowances, officially known as writing down allowances, to 100 per cent by the mid-1990s to correct what the federation regards as a long standing fiscal bias against manufacturing investment.

Tax measures will become increasingly important with sterling's membership of the European exchange rate mechanism limiting the government's scope for interest rate reductions, Sir David said.

R&D spending questioned

The government may be spending £500m a year less on research and development than its official statistics indicate, the National Audit Office says in a report today.

The reason is that some expenditure classified as defence R&D does not fit the internationally accepted "Frascati definition". This is used by the Organisation for Economic Co-operation and Development (OECD) to compare R&D spending in different countries.

According to the Frascati definition "the basic criterion for distinguishing R&D from related activities is the presence in R&D of an appreciable element of novelty." The NAO says £500m of the £2.2bn Department of Defence R&D budget falls outside this definition.

Botnar attacks dawn raid

Mr Octav Botnar, chairman of Nissan UK, has called on the Inland Revenue to admit that its dawn raid on the company in June "should never have taken place". The raid was the biggest the Revenue has mounted.

The company, whose 21-year-old contract to distribute Nissan vehicles will be terminated by the Japanese manufacturer at the end of this month, should now be permitted by the Revenue "to carry on with saving what is left of our business", Mr Botnar said.

He and the Revenue refused either to confirm or to deny reports that Nissan UK had been presented with a bill for allegedly unpaid taxes of £265m-£270m as a result of the Revenue probe.

Capital issues

Companies and public authorities raised £2.3bn in November in new capital issues, bringing the total for the first 11 months of 1991 to £29.8bn, according to figures published yesterday by the Bank of England. In 1989 and 1990, new issues totalled £26.6bn and £20.0bn respectively.

Habitats under threat

Extensive damage is being caused to natural habitats for plants and wildlife by developers, sporting interests and farmers a report by Wildlife Link representing 22 of Britain's leading conservation organisations said.

The group is consulting the government on reform of the Wildlife and Countryside Act to give greater protection to these sites of special scientific interest (SSSIs). Its report says 40 per cent of the sites show deterioration and 21 per cent are under threat.

Greene first editions sold

Graham Greene's 85 year-old widow Vivienne sold 55 dedicated and inscribed first edition copies of her husband's novels, short stories and plays at Sotheby's with prices doubling and trebling estimates.

Ferry ship officers vote for action at Sealink

By Richard Tomkins

SEALINK Stena Line, the Scandinavian-owned ferry operator, was plunged further into crisis yesterday as ships' officers in Britain voted to take industrial action over the company's cost-cutting plans.

Stena Line, the Swedish ferry company which acquired Sealink last year, has threatened to close the company if the rationalisation is not fully achieved by December 31.

The officers who voted for industrial action are members of Numast, the ships' officers union, employed on the company's three Irish Sea routes.

Numast issued a short statement yesterday saying a majority of officers on each of the three routes had voted in favour of industrial action.

Sealink said that of 307 officers eligible for the ballot, only 116 had voted for industrial action. "That leaves the union with no mandate for any form of stoppage," the company said. "We have made it clear that the job losses will proceed as planned. If people refuse to do their normal duties, they will be in breach of their contracts and will be liable to instant dismissal without compensation."

Officers on Sealink's four routes between the UK and the Continent have not so far balloted on industrial action.

Sealink has run into financial difficulties because it has been unable to generate sufficient profit to meet the interest payments on the £350m which Stena Line paid to acquire it.

Its mounting losses have wiped out the parent company's profits and left it forecasting losses of SKr300m (£30m) for the year to December 31. Sealink is attempting to stem its losses by axeing the Folkestone-Boulogne car ferry route, cutting 1,500 jobs from the workforce of 6,000, and freezing pay until 1993.

The crisis threatens to embroil the government in Sealink's troubles because it holds a special "golden" share in the formerly state-owned company for defence purposes. The share demands that Sealink's operations must not be "to the prejudice of national interests".

Major steps up offensive over Maastricht

By Ivo Dawnay, Political Correspondent

MR JOHN MAJOR last night pressed home the Tories' post-Maastricht public relations offensive with a party political broadcast commending the outcome of the European Community summit as: "Right for Europe, right for Britain, right for our future."

The prime minister's carefully worded address, delivered in presidential style from his Commons office, claimed that through "straight talking and hard bargaining" he had both safeguarded Britain's interests and advanced "the interests of Europe."

But the broadcast also sought both to dismiss Labour's charges of isolationism and throw down a gauntlet to hardline opponents of monetary union within the Tory party by stating that the government would participate closely in the forthcoming talks on EMU.

Mr Major followed this with a passage certain to infuriate the opposition when he said his refusal to agree a social chapter to the Treaty was because this would have taken the country back 12 years to "the bad old days" of strikes and trade union power.

That claim will provoke further anger from Labour after fierce exchanges earlier in the Commons over the impact of the proposed social chapter on employment law. Mr Major had to play the "union card" to explain his rejection of the social chapter in the Treaty talks.

Challenged by Mr Neil Kinnock to explain why Britian could not agree to measures accpetable to other EC conservative leaders, he replied that other countries did not have the UK's trade union structure or its record of union militancy "to which we have no intention of returning."

His answer prompted Mr Tony Blair, Labour's employment spokesman, to claim that Mr Major had willfully misled the Commons by wrongly suggesting that the social measures would give the EC control over union laws from ranging from pay bargaining to the right to strike.

Conservative Central Office, party workers were launching a propaganda blitz aimed at rallying the party round the country behind the Maastricht agreement prior to next week's two day Commons debate.

Ashley Ashwood

Party piece: Tory chairman Chris Patten addresses the media in Downing Street after yesterday's cabinet meeting

On Saturday, Mr Norman Lamont, the chancellor, and Mr Douglas Hurd, the foreign secretary, are to brief a conference of prospective parliamentary candidates in London.

Labour officials claimed last night that their private polling taken on Thursday had shown that the party was holding a 3 point lead over the Tories by a 44 per cent to 41 per cent margin. A general election is due before July 17 next year.

● Satisfaction with Mr John Major's Maastricht performance and a strong Wall Street invigorated the London equity market with the FT-SE 100 index rising 43.1 points to 2423.3. Stocks were lifted by a variety of positive developments - domestic political cheer on Europe, encouraging US retail sales and core inflation figures, and demand for FT-SE January futures in the hope of a New Year equity rally.

● Ministers are pressing building societies, home loan and savings institutions, to put a moratorium on as many housing repossessions as possible amid Tory fears at the electoral damage of increasing numbers of hard-hit mortgage payers. A freeze has been discussed by Mr Tony Newton, social security secretary, and the main mortgage lenders.

European dilemma returns to haunt Thatcher

The former prime minister is facing a choice between instinct and party loyalty, writes Philip Stephens

It will be agonising, lonely, decision. Over the next few days Mrs Margaret Thatcher must decide whether to sacrifice her principles or her political reputation. Europe, the issue which loomed so large in her downfall last year, is once again at the heart of the dilemma.

If she remains true to her publicly stated principles then she will vote against Mr John Major in next week's House of Commons debate on the Maastricht summit. But that will leave her virtually isolated; her achievements, her place in the Tory party history books will be forever besmirched.

Yet if she votes for the deal struck by her successor she will be accepting the possibility of sterling's absorption in a single European currency: the start-up of which she sees as the conveyor belt to federalism. She will know the crusade against European integration is lost.

As Mr Major announced the outcome of the summit in the House of Commons this week, Mrs Thatcher nodded approval each time he listed the federalist initiatives that he had thwarted. She was impressed and delighted that he had stood firm against giving Brussels a role in Britain's employment legislation.

There are other aspects of the political union treaty which she will be unhappy about. She wanted no increase at all in the competence of Mr Jacques Delors' Commission. Despite the safeguards she can see no role at all for the Community in defence policy.

For her it is a wedge which might eventually lever Britain out of the Atlantic alliance - which has been at the heart of its defences.

Overall, however, as the prime minister who signed the Single European Act Mrs Thatcher would find it hard to betray her party six months before a general election on the basis of Mr Major's signature on the political union treaty.

It was not this treaty which prompted Mrs Thatcher to label her successor "arrogant" last month for refusing to contemplate a referendum on the outcome of the summit. Her fears centre on economic and monetary union. For her a single currency is the instrument of federalism.

She made clear in the House of Commons three weeks ago that she believes political authority in a democracy rests on control over economic management. A single currency would mean policies over budget deficits, interest rates, tax and spending levels would be transferred from Westminster to an unelected European central bank.

"What we are talking about is the rights of the British people to govern themselves under their own laws made by their own Parliament," she said.

She was unimpressed by the opt-out clause that Mr Major promised and subsequently secured at the summit: "If we wish to keep open the option of a single currency, we have virtually no freedom of action".

If she was negotiating, she intimated, Britain would use its veto and let the others go ahead outside the Treaty of Rome. Now she is being asked to vote for an agreement that is stronger than the one contemplated just three weeks ago, forseeing the creation of one currency by 1999.

And yet for her to vote against the accord will be to walk into the Commons division lobbies alongside Mr Neil Kinnock, betraying the party she led for 16 years.

The effectiveness of Mr Major's campaign to rally support for the summit deal has persuaded all but a handful of her colleagues to support him. His success in keeping the social charter out of the treaty has provided their escape clause, leaving only a handful of isolated irreconcilables ready to oppose the agreement.

Mrs Thatcher pledged when she left Downing Street that she would not snipe at the leadership of her successor. But whether she sticks to that promise or not she seems destined to be the loser and Mr Major the winner next week.

Retailers face tough Christmas trading

By Rachel Johnson, Economics Staff

CHRISTMAS trading will be "touch and go" for Britain's hard-pressed retailers, according to the latest quarterly survey of distributive trades by the Confederation of British Industry (CBI).

Sales volumes in all three sectors - retail, wholesale and motor trade - were "poor for the time of year", forcing businesses to shed staff and cut prices in the run-up to the busiest trading period of the year.

"It's tough out there. There are 12 shopping days [including Sundays] to Christmas – it's touch and go for retailers," said Mr Nigel Whittaker, chairman of the survey panel of the UK employers' organisation.

Sales volumes had risen above the depressed levels around the time of the Gulf war and, in the survey period from November 18 to December 14, were also higher than the same period in 1990.

But the CBI said last month's year-on-year increase was built on very low levels and attributed the slight growth to "heavy price discounting" by retailers.

As a result, retailers expected the "modest" improvement in sales volumes to continue only if they continued discounting items sharply, particularly clothing, footwear and electrical household goods.

If the discounting stimulated sales, December's sales volumes could turn out to be "only a little below average".

The number of retailers expecting to raise average selling prices has decreased steadily for a year, falling from 68 per cent in August to 62 per cent in November.

Retailers were attempting to encourage business by bringing forward "January sales" to November, while the Christmas shopping period got later and later each year, the CBI said. "While this survey suggests that discount offers are boosting trade, many customers may simply be bringing forward purchases that they would have otherwise made in the January sales or even further into 1992," Mr Whittaker said.

German industry

New focus at Zeiss

Andrew Fisher traces the story of the division and recent reunification of the optical products group

Horst Skoludek: "It was like walking into the water without being able to swim"

On a hot June day in 1945, when much of Germany lay in ruins, the top managers and scientists of Carl Zeiss were sent on a journey that would play an important part in determining the post-war fate of the optical group.

They certainly did not realise it then. Indeed, they did not want to leave Jena, the old university town in the state of Thuringia. As they loaded their possessions onto trucks, they wondered how quickly they could return.

It was the US army that was forcing them to leave. With Thuringia about to be handed over to the Soviets, the Americans wanted the best of Zeiss's employees in the west to learn from them.

Most never went back. Instead, the company was brutally split apart, and the surviving halves – one in the west and one in the east – engaged in a bitter battle to decide which was the rightful heir to the tradition begun nearly 100 years before. The founder was Carl Zeiss, the microscope maker, whose work was strengthened by his partner, Ernst Abbe, who set up the enlightened foundation which owns the company.

That contest has only just ended, though both sides have already compromised on the use of the Zeiss name by roughly dividing markets up between east and west. Last month, after more than 18 months of negotiations, the west German Zeiss took a majority stake in east German Zeiss.

It paid the Treuhand, the east German privatisation agency, a nominal DM1 for Carl Zeiss Jena, whose orders had collapsed after German unification exposed the fragility of its finances and the disintegration of Comecon removed its protected markets.

The division and reunification of Zeiss is one of the most fascinating of German corporate stories – a microcosm of the economic, social, and psychological challenges involved in reuniting the country. For Zeiss is no ordinary company.

Its name is among the most respected and best known in German industry and its optical products have a worldwide reputation for quality and reliability.

"It's a unique story", says Michael Hiller, the enthusiastic executive sent in by Zeiss in west Germany to head the loss-making Carl Zeiss Jena.

In the west, Zeiss developed from a humble start as a repair works in the small town of Oberkochen into one of the world's most innovative science-based companies. It produces microscopes, binoculars, and a wide range of sophisticated equipment for medical, measuring, and astronomical use. In its last financial year to September 30, 1990, its turnover totalled DM2.2bn (£772m) and its workforce 14,500.

Zeiss's activities in Jena were subordinated first to the Soviets, who took away the remaining equipment, and then to the economic ambitions of the East German communist regime.

Recognising the value of the name, it built up Zeiss Jena as a state-owned concern, adding on activities like defence technology, cameras, and electronics. It employed 69,000 people and even produced the first east German one megabit chip, though at huge expense.

Now that the two Zeisses are back as one, Hiller and the other two directors from the west have to instil into Jena's local managers the marketing, financial, and legal skills lacking under the previous system.

Zeiss Jena's second and third ranking managers are already in their 40s. "The old system developed people in a strictly hierarchical process," Hiller says. "We see a lot of young potential, but these people don't have the right experience or training, because the system didn't allow it."

The east German way of management was also heavy-handed. That description certainly applied to Wolfgang Biermann, the powerful head of the Zeiss *kombinat* (conglomerate) until two years ago.

"Zeiss was dominant, bureaucratic, and authoritarian," Hiller adds. "We are trying to introduce a co-operative style, with more dialogue and less bureaucracy."

Zeiss Jena's products mostly need redesigning for western markets. Technically, they are acceptable, but they lack electronics and software. Production plant also has to be renewed. "The main investments in Jena before the Wall came down were in the semi-conductor business," said Hiller. Zeiss says it will not use the Jena plant just to assemble products from the west, but to produce optical, measuring, and medical equipment for sale by Zeiss Oberkochen's existing sales network.

For the employees of Jena, it has all been rather humbling. They have had to accept that it is the west German Zeiss that has ultimately been successful, not they. "People say 'we are now punished, we made good quality products, and had a good name in eastern Europe. What did we do wrong?' The fault was the system's not their's, but that is hard to explain," said Hiller.

In east and west Germany, the Zeiss name was a vital part of the corporate identity. Marking it out from the usual run of industrial concerns is the tradition of humanitarian and public-spirited ownership in the form of the Zeiss foundation which owns the Oberkochen company.

This was set up in 1896 and was well ahead of its time in granting the right to minimum incomes, a nine-hour day (eight hours in 1900), paid holidays, and sickness and pension benefits.

Today, that tradition is still adhered to strongly. After the east German state expropriated the Jena assets, Oberkochen's managers realised they had to defend the legacy of the foundation which was thus re-established in the west. Today, it is the basis from which Zeiss has reached back into its old home.

"Not everybody here is happy that the situation forces unification with Zeiss Oberkochen", says Hiller. Since Jena is where Zeiss began, some resentment is understandable. Under the old regime, Carl Zeiss Jena was a powerful *kombinat* and its head was on the central communist party committee.

West German Zeiss is not saddling itself with the whole of Zeiss Jena, whose labour force has shrunk significantly since German unification, but taking over only the core optical business. The rest has been grouped into Jenoptik, which is owned by the revived state of Thuringia and in turn holds 49 per cent of Carl Zeiss Jena. The latter will become fully owned by Carl Zeiss Oberkochen when it can contribute profits to the foundation.

This will not be for a few years, though. Hiller points out that Jena achieves only about two-thirds of the DM100,000 of sales per head needed to break even. Zeiss is taking over 3,000 employees in Jena, but half are on short-time. Next year's turnover at Zeiss Jena is expected to be around DM200m, out of DM2.5bn for the whole Zeiss group. Horst Skoludek, Zeiss Oberkochen's chief executive, hopes Jena's turnover will be DM350m in five years.

In the meantime, accumulated losses at Jena are expected to exceed DM100m. The Treuhand has provided DM587m to cover these, as well as investments and working capital. Like the rest of east German industry, Zeiss Jena's productivity is low and its prices too high without subsidies. At first, the managers of the east German company reckoned without these burdens and thought they could survive alone. "They wanted to co-operate with us on equal terms and then come together", says Skoludek. "But their business got worse. It was like walking into the water without being able to swim. We were the lifeguard."

Christopher Lorenz

Hard times for country cousins

Pity the poor "country manager". This traditionally powerful breed of barons is being reduced to little more than ambassadorial status within most multinational companies.

In some cases their very existence is threatened, with complete power being handed to the heads of the company's global divisions. Shell's time-honoured approach, in which national managers remain the official kings of the organisation, is increasingly the exception.

The relegation of country managers has in some cases come almost overnight, as multinationals wrestle belatedly with the need to tighten the co-ordination of their global operations, rather than continuing to run them as a sort of loose federation.

In far too few cases has the parent company followed the lead of Unilever, IBM, ABB and a handful of others. This enlightened sisterhood has realised that greater global efficiency needs to be matched by quite a degree of continued national influence, so that the company can still capture the benefits of country differences, in two senses. First, among customers out in the market-place: and second, internally, in terms of the varied skills which have developed within each of the company's offshoots around the world.

The crestfallen state of much country management these days was one of the main talking points at this year's conference of the international Strategic Management Society, at which 650 business academics, executives and consultants gathered recently in Toronto.

There could hardly have been a more depressing venue for such a discussion: Canada's new free trade agreement with the United States is putting at risk many of its traditional "branch plant" offshoots of multinationals. Even without this, they would be feeling a cold wind from their parent companies' rush to give global divisions greater dominance in the corporate power structure.

On particular display at the Toronto conference, in the form of their present or past Canadian heads, were three large multinationals: ICI and Monsanto, the UK and US chemicals groups, and American General Electric.

Most evidently downhearted was the new chief executive of ICI Canada, Keith Willard. Within ICI, he said, the pendulum of power had "swung terrifically" since just February, when the group's London head office had ruled that its businesses were now "prime" in the power structure. This had "gone to the heads" of some of the businesses, claimed Willard, hinting that they were hardly bothering even to consult the local organisation.

Even quite large countries can easily become third-class corporate citizens

His counterpart at Monsanto Canada, Ian Lennox, was less obviously concerned at his own organisation's situation. But he lamented the general passing of what he called "the golden days of country management". Its very existence would become suspect, he said, unless country managers could fend off relegation by developing whatever unique skills their subsidiaries possessed.

This is what has occurred at General Electric Canada over the last few years. As its organisation has been integrated into GE's global divisional structure, the role of country management at GE has changed radically and "unpleasantly", admitted William Blundell, the ex-head of GE Canada. But things were "far from hopeless".

The units over which Blundell's successor still has influence – though not outright power – have turned themselves into specialists in niche products and workforce flexibility, as a string of other GE speakers demonstrated. Whether in aero-engines or mundane electrical appliances, GE's Canadian operations have become such hotbeds of managerial innovation that their bigger brethren from across the border and around the world are flocking to Canada to learn from them. As a result, GE's Canadian country manager remains a voice to be reckoned with.

To go one step further by giving units in particular countries the regional or global leadership of designated parts of the business, as Unilever, IBM and other "transnationals" have done, is fine for some *(see this column, Nov 28)*. The trouble is that not many companies are large or diverse enough to have sufficient leadership roles to share around in a balanced fashion, so that some countries inevitably lose out. Even quite large ones – Canada, or even Britain – can easily become third-class corporate citizens.

To be fair to ICI, its sharp swing of the pendulum last winter towards the primacy of global product divisions was a reaction; amid a sudden profits slump, to years of tense and laborious decision-making between its divisional knights and geographic barons.

ICI Canada feels the loss of power especially acutely because of its history as a very independent (and latterly troublesome) fief, over which the parent company did not have full ownership until 1988.

The fact that ICI's global explosives business has had its headquarters in Toronto since the late 1980s is of some consolation to the Canadians, as is Keith Willard's seat on ICI's North American board. But the entrepreneurial drive of ICI's Canadian managers may be hard to rekindle so long as they feel they are poor relations – unlike their counterparts at GE.

Other companies be warned. Fostering country skills around the world while also furthering global efficiency is a necessary but nerve-wracking task.

BUSINESSES FOR SALE

LEGAL NOTICES

COMPANY NO: 1275926
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of Bennett Manufacturing Textiles Limited
***PASSED* 15 November 1991**

At an extraordinary general meeting of the above named company duly convened and held at 43 Temple Row, Birmingham, B2 5JT, on 15 November 1991 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution:

1 That it has been proved to the satisfacton of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2 THAT David John Corney of Cork Gully, 43 Temple Row, Birmingham, B2 5JT be and is hereby appointed liquidator of the company.

Dated - 15 November 1991

A S Bennett - Chairman

At a meeting of creditors held on 15 November 1991 the creditors confirmed the appointment of D J Corney as liquidator

Dated - 15 November 1991.

A S Bennett - Chairman

Company No: 1399241
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of Owen Quiney Interiors Limited
***PASSED* 7 November 1991**

At an extraordinary general meeting of the above named company duly convened and held at 43 Temple Row, Birmingham, B2 5JT, on 7 November 1991 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution:

1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2 THAT David John Corney, of Cork Gully, 43 Temple Row, Birmingham, B2 5JT be and is hereby appointed liquidator of the company

Dated 7 November 1991
Chairman

At a meeting of creditors held on 7 November 1991 the creditors confirmed the appointment of D J Corney as liquidator.

Dated - 7 November 1991

Chairman

Leco Hydraulics Limited

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: 43 Temple Row Birmingham, B2 5JT on 19 December 1991 at 3.00 pm for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT between 10.00 am and 5.00 pm on 17 December 1991 and 18 December 1991

DATED - 2 December 1991

By order of the Board

J Stokes
Director

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
SHIRE TECHNICAL SERVICES LIMITED - IN LIQUIDATION

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 31st day of January 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to Mr D J Corney of CORK GULLY at 43 Temple Row, Birmingham B2 5JT, the liquidator of the said company and, if so required by notice in writing from the said liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified bCin suchnotice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 5 day of December 1991

David J Corney - Liquidator
SHIRE TECHNICAL SERVICES LIMITED

REGIS SKIP HIRE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-maned company will be held at: 43 Temple Row, Birmingham, B2 5JT on Tuesday 17 December 1991 at 3:00pm for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT between 10:00am and 5:00pm on Friday, 13 December 1991 and Monday, 16 December 1991.

Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) loge their proxies at 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on Monday, 16 December 1991.

DATED - 29 November 1991
By order of the Board
PA SISLEY
Director.

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
OWEN QUINEY INTERIOR LIMITED

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 31st day of December 1991 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to D J Corney of CORK GULLY, at 43 Temple Row, Birmingham, B2 5JT, the liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 2nd day of December 1991.

David J Corney - Liquidator
OWEN QUINEY INTERIORS LIMITED

FRAMETEC LIMITED
Registered No: 2380132

Nature of business. Aluminium Windows Manufacturing
Trade classification. Manufacturing
Date of appointment of joint administrative receivers: 27 November 1991
Name of person appointing the joint administrative receivers: 3i
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(Office holder nos. 1768 and 2530)
of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
BENNETT MANUFACTURING TEXTILES

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 31st day of january 1992 to send in writing their names and address and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to D J Coney of CORK GULLY, 43 Temple Row, Birmingham, B2 5JT the liquidator of the said company, and, if so required by notice in writing from the said liquidator, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 6th day of December 1991
David J Coney - Liquidator
BENNETT MANUFACTURING TEXTILES LIMITED

Registered in England and Wales
Company No: 1595625
INSOLVENCY ACT 1986
Resolutions of Shire Technical Services Limited
PASSED 25 November 1991

At an extraordinary general meeting of the above named company duly convened and held at Telford Moat House Hotel, Forgegate, Telford, Shropshire, TF3 4NA, on 25 November 1991 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution.

1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the smae and THAT accordingly the company be wound up voluntarily.

2. THAT David John Corney, of Cork Gully, 43 Temple Row, Birmigham B2 5JT be and is hereby appointed liquidator of the company.

Dated 25 November 1991
N C Lewis - Chairman

At a meeting of creditors held on 25 November 1991 the creditors confirmed the appointment of D J Corney as liquidator.

Dated - 25 November 1991
N C Lewis - Chairman

FRAMEPLAN LIMITED

Registered number: 2380132
Nature of business: Holding Company
Trade classification. Holding Company
Date of appointment of joint administrative receivers: *27 November 1991*
Name of person appointing the joint administrative receivers 3i Plc
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(Office holder nos 1768 and 2530)
of Cork Gully
Churchill House
Churchill Way
Cardiff
CF1 4XQ

TURTON ENGINEERING LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-maned company will be held at: 43 Temple Row, Birmingham, B2 5JT on 23 December 1991 at 12.00pm for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT between 10:00am and 5:00pm on 19 December 1991 and 20 December 1991

DATED - 5 December 1991
By order of the Board
EC LONG
Director.

ALAN PAUL PLC

Registered number 0148579
Nature of business: Hairdressing
Trade classification 4 22
Date of appointment of administrative receiver(s). 4 December 1991
Name of person appointing the administrative receiver(s). The Royal Bank of Scotland Plc
Frank William Taylor & Donald Bailey
Joint Administrative Receivers (office holder no(s) 0 002757/01 & 3/006738/02
Ernst & Young
Silkhouse Court
Tithebarn Street
Liverpool L2 2LE

COMPANY NOTICES

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, the following dividends were declared:

ORDINARY SHARES

A final quarterly dividend of eight cents (8c) Canadian per share on the outstanding Ordinary Shares in respect of the year 1991, payable on January 28, 1992, to holders of record at the close of business on December 27, 1991.

PREFERENCE SHARES

A final semi-annual dividend of $0.02 per Canadian Dollar Preference Share and 3/5 pence per Sterling Preference Share on the outstanding Preference Shares in respect of the year 1991, payable on January 28 1992, to holders of record at the close of business on December 27 1991

BY ORDER OF THE BOARD,

D.J. DEEGAN
VICE-PRESIDENT AND SECRETARY
MONTREAL, DECEMBER 9, 1991

The Greycoat enigma

By Vanessa Houlder

If the property market is indeed at a turning point, as one surveying company proclaimed this week, the London stock market is resolutely unimpressed.

Property shares continue to spiral downwards as they have done for the past three years. Compared to the market as a whole, property shares have sunk to an even lower level than the depths of 1976.

Part of the explanation is the quoted sector's heavy exposure to the ailing central London office market. But the slump is also due to concern about finances of many former high-flyers: Mountleigh, down from a peak of 100p this year to 12p; Rosehaugh down from 112p to 10p; Speyhawk down from 163p to 14p; UK Land down from 203p to 23p; Stanhope down from 128p to 43p; Greycoat down from 397p to 113p.

Greycoat's decline has surprised even seasoned bears of the property market. "At the begining of the year Greycoat was regarded as a well-managed investment company with no large vacant development exposure; the fact that the share price has fallen by 69 per cent since February must make even the most optimistic ponder," said analysts Kleinwort Benson Securities after Greycoat's share price fell by 38 per cent in two weeks in October.

Mr Geoffrey Wilson, the head of Greycoat, is bemused by the market's treatment of his company, which he likens to a "mini Land Securities".

"We are an investment company with one of the finest created portfolios in the industry. We own exceptional state-of-the-art office buildings in central London leased for long terms to tenants of first class covenant," he said last week when Greycoat's interim results were published.

Mr Wilson's critics would not necessarily disagree. Greycoat is responsible for acclaimed buildings such as Embankment Place over Charing Cross station, whose tenants include blue chip names such as BP, the Department of Trade and Industry, Halifax building society and Warburgs, the merchant bank.

But quality may not be enough to see Greycoat through the slump. The question is whether the company can withstand the worst-ever downturn in the London office market with gearing (including preference shares) of more than 100 per cent.

Greycoat believes it can survive the slump. The company reckons its innovative, carefully-structured financing is exactly what is required to see it through the downturn. Moreover, Mr Richard Guignard, Greycoat's finance director, says that the company has "no intention" of launching a rights issue to repair its balance sheet.

Critics in the City think Greycoat is fooling itself. "Greycoat's whole financing structure is predicated on central London rental values which are slowly eroding away. The share price fall is totally justified," says one property investor.

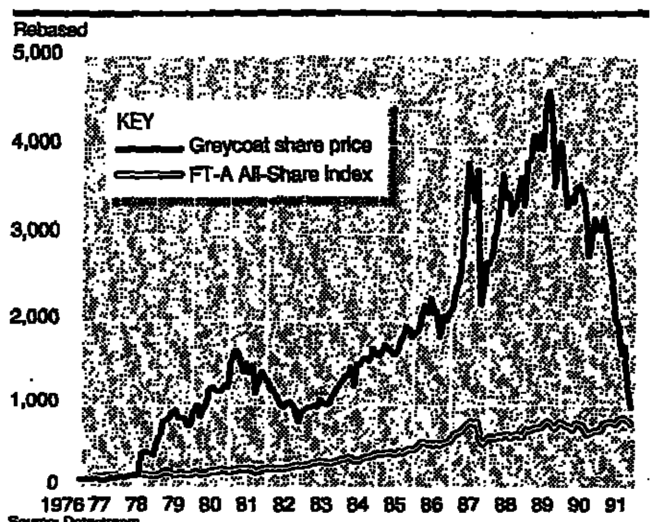
First, Greycoat is at risk of breaching its banking covenants. These are believed to stipulate that debt should not exceed 166 per cent of shareholders' funds, that shareholders' funds should not fall below £160m and that there is no material change in the 1988 net asset value of £350m.

Analysts' forecasts vary considerably, but if Greycoat's net assets do indeed halve over the next year as some analysts suggest, the company would certainly be in breach its covenants.

Many analysts agree with Mr Guignard's assessment that a breach of the covenants would be "academic". Banks may use the potential breach as an excuse to charge more for their loans but they are unlikely to withdraw their support as long as interest is being repaid.

TOTAL RETURN (%)				
	Retail	Office	Industrial	All Properties
Year to Oct 91	0.4	-9.3	4.2	-2.8
Quarter to Oct 91	1.3	-1.4	2.9	0.6
Month of Oct 91	0.5	-0.3	0.8	0.3

Investment Property Databank



Source: Datastream

Geoffrey Wilson: challenging his critics

The more serious question about Greycoat's future concerns its cash flow. Greycoat's use of deep discount bonds, which allow it to defer interest payments during the early years of a building's life when it brings in less income, has provoked considerable argument in the City.

The use of deep discount bonds should give Greycoat a vital advantage over companies using traditional bank finance, where initial interest shortfalls are almost unavoidable. Mr Guignard is enthusiastic about this method of financing. "You pay what you can afford," he says. "It gives the market time to recover".

True, reply the critics, but only if the property rents increase sufficiently to pay the bill when the bond matures. But what happens if the London office market remains depressed and the rent reviews do not come up to scratch?

An example of the potential problem is Britannic House in Finsbury Circus (previously known as Lutyens House), which Greycoat financed last year with a £150m deep discount bond.

Until 1997, the £55 per sq ft that BP pays will cover the interest on the bond. But the interest bill doubles to 12.5 per cent or £9.4m a year for the second six years. Given the collapse in City rental values, Greycoat is unlikely to be able to charge BP more rent after the next review in 1995.

In defence, the company argues that the gap between the rent and the interest after 1997 is considerably reduced if the investment income from a surplus £39m raised by the bond is taken into account.

Nonetheless, sort of shortfall worries Greycoat's critics who think the company's mounting problem with its cashflow will come to a head by 1993. They also worry about the company's ability to refinance its bonds when they mature in 1992 and 1995. (It was rumours that refinancing talks had collapsed on a building in Buckingham Palace Road in London that sent Greycoat's shares into a nose-dive in October.)

The only solution, critics in the City suggest, is a hefty injection of cash – as much as £200m – either from a rights issue or from large property sales.

However, this analysis of Greycoat's cash flow problems is questionable. When Kleinwort Benson analysed Greycoat's numbers they found that operating cash flow before dividends will be marginally negative next year, but will then return to positive until 1997, even assuming there is no growth in market rents over the next six years.

In any event, the company is still looking at ways to make and save cash. Over the next two years overheads will be cut by half – in the past six months administration costs totalled £5.4m – as Greycoat reshapes itself from a development company into an investment company. The directors' Rolls-Royces have already gone.

Greycoat is already in talks about the sale of several properties, outside its core London portfolio. It is withdrawing from its retail ventures and office development in the US, which resulted in provisions of £8m in its interim figures last week.

And unless the company makes substantial sales of property, there is little spare cash for developments in the UK either. Greycoat has taken provisions against its share of the Paternoster Square redevelopment by St Paul's in the City; analysts expect it to reduce its involvement in the St Paul's venture to merely one of management. Its other schemes, such as the redevelopment of Moor House on London Wall and the Victoria Transport Interchange site, are also on hold for the present.

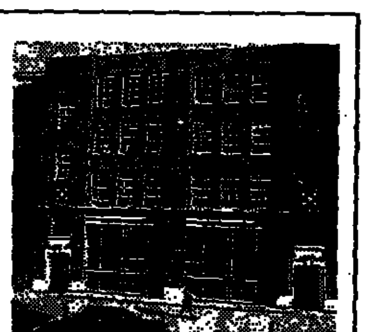
Greycoat deserves to survive the next few years having battened down the hatches sooner than virtually any other developer. But its long term future is inextricably bound up with that of the growth prospects of London, which accounts for 89 per cent of its portfolio.

Hardly surprisingly, Greycoat is enthusiastic about London's future. "The market will turn quicker than a lot of people think," says Mr Guignard, who believes that rents will start recovering in 1993.

But doubts remain. Will London remain Europe's prime business centre? Will the capital's crumbling infrastructure deter potential international tenants? Will Docklands undermine property values by successfully challenging the City and West End?

At present, the market's confidence in the future of London's office market is at a low ebb. But if and when sentiment changes, Greycoat will be seen as one of the best bets on a recovery for the London office market.

INTERNATIONAL PROPERTY



FINANCIAL TIMES SURVEY

SCOTLAND

Friday December 13 1991

■ 1991 has been a mixture of 'farce and tragedy' for local authorities Page 2

As 1992 approaches, the people of Scotland face a crucial political decision. The election is likely to clarify the constitutional future after years of debate. **James Buxton** examines the mood as the country prepares to deliver its verdict

The restless nation

SCOTLAND will reach 1992 in a mood of uneasy anticipation. After four and a half years of further rule by the Conservative party, which since 1987 has had only a handful of seats in Scotland, the electorate is finally due to pronounce its verdict at the coming general election.

It will give its judgment on a disturbed period for Scotland in which the government has vigorously implemented policies for which only a minority of Scots had voted. With all parties, bar the Conservatives, offering Scotland some form of home rule, the election should clarify the constitutional future after years of talk.

The new year will also reveal whether the forecasts claiming that the recession is now giving way to slow recovery are correct, and whether that recovery has come in time to save companies that are in danger.

The mood, as usual, is discontented rather than turbulent. Although opinion polls show that about 80 per cent of the Scottish population want either a Scottish parliament or outright independence, there are no demonstrators on the streets and only the rarest graffiti.

Kirsty Wark, the Scottish TV presenter, who recently made a BBC series on Scottish politics entitled The Restless Nation, ended it with the words: "The irony is that Scotland may well get Home Rule of some sort in the 1990s when popular passion for it is at a low ebb." Devolution is a subject for the chattering classes.

Recession arrived later in Scotland than in much of the rest of Britain and has not been sharp. It is still possible to go to an upmarket restaurant in Edinburgh on a Tuesday night and find it completely full.

Scotland's unemployment rate, though it fell only marginally below 8 per cent during the upturn, has not so far risen much above 9 per cent and for the past two months has actually fallen.

The Scottish economy, not having experienced the excesses of the post-1987 boom, had less far to fall. Scottish businesses and individuals borrowed less than their counterparts in England. House prices have only quite recently stopped rising in Edinburgh and Glasgow, and are still going up in Aberdeen and Dundee.

Aberdeen is the centre of the oil industry which is spending record sums on the development of new fields in the North Sea, pushing down the unemployment rate to labour shortage levels and generating one of the highest standards of living in Britain, as well as benefiting oilfield equipment companies all over the country.

Christmas shoppers crowd Edinburgh's Princes Street: the recession has not been as sharp in Scotland

Yet, as Mr Crawford Beveridge, chief executive of Scottish Enterprise, formed this year to replace the Scottish Development Agency, complained recently: "The Scottish economy seems to be constipated: it needs some kind of laxative to stop it grinding to a halt. No one's actually spotted the upturn yet."

While much of the grief comes in small packets there are big black spots: in Lanarkshire about 4,000 jobs have gone this year with the closure by British Steel of plants near Motherwell. The authorities are at last looking to regeneratethe area for the post-steel era, something which until about a year ago was considered defeatist and therefore taboo.

With the collapse of the Soviet threat the defence industry in Scotland is contracting, with painful consequences for companies such as GEC Ferranti; military establishments are either closing – the US Navy's base at Holy Loch shuts next year – or being slimmed down.

Recently, the US electronics company Unisys decided to close its plant at Livingston with the loss of 700 jobs, emphasising yet again the fact that Scotland controls so little of its own economy: as well as foreign-based multinationals, Scots are perennially anxious about English and foreign acquisitions of Scottish companies, the latest being Abbey National's takeover of Scottish Mutual life assurance.

Just over a year ago, when Mrs Thatcher resigned, Mr John Major made Mr Ian Lang Secretary of State for Scotland in place of Mr Malcolm Rifkind. The replacement of Mrs Thatcher by Mr Major, followed by the Gulf war, brought the Conservatives' opinion poll rating in Scotland up from around 16 per cent last November to a peak of 30 per cent in May.

Without the hated Mrs Thatcher for the opposition parties to attack, Scottish politics went very quiet. Mr Lang is a less sparkling and pugnacious figure than Mr Rifkind, and his polite stonewalling in the face of hostile questioning exasperates journalists and MPs.

The government is now getting rid of the poll tax, the imposition of which on Scotland a year ahead of the rest of Britain was one of the main causes of the Tories' great unpopularity in Scotland. Mr Major has made half a dozen visits north of the border and has shown a special interest in Scotland, holding the Gulf war thanksgiving service in Glasgow and making Edinburgh the location of next December's European summit.

But it is not enough. The Tories last month lost the Kincardine and Deeside by-election to the Liberal Democrat party by just under 8,000 votes overturning a previous Conservative majority of 2,063. This showed how far support for the Conservatives has declined even in the prosperous environs of Aberdeen.

It also revealed that in spite of repeated organisational shake-ups the Scottish Conservative party is profoundly inept at choosing the right candidate and running an election campaign.

It was a reminder that in Scotland's four-party system the Tories are desperately vulnerable to the kind of tactical voting that in 1987 brought them down from 21 to 10 of the 72 Scottish parliamentary seats.

With the Liberal Democrat victory in Kincardine and Deeside, the Tories have fallen from being the second biggest party in Scotland in terms of parliamentary seats to being the third, with just nine MPs. Since the by-election, support for the Tories in the System Three opinion poll has dropped in a month from 23 per cent to 18 per cent – not far above their nadir under Mrs Thatcher.

On that basis the Tories could now face the possibility of holding only four seats in the general election, barely enough even to form a Scottish Office team. Mr Lang would lose his own Galloway seat to the Scottish National party.

"We've become identified in the Thatcher years as the English party," admits a senior party member. "We've upset the Scottish middle classes by our confrontational approach to the public sector which is respected in Scotland."

His conclusion, shared – according to the latest opinion poll – by about 40 per cent of Scottish Tories, is that if the party is to survive at all in Scotland it will have to offer some kind of assembly or forum if it wins the election.

The union of the United Kingdom is now being questioned in Scotland as never before, and nearly 13 years of minority Conservative rule are responsible for accelerating the process. The Thatcher years have made Scots realise how different their attitudes and traditions are from those of the English. Although wanting a separate parliament is not the most important item on most peoples' agenda, the idea has become a badge of national identity.

Labour is promising that in its first year of office it will legislate to establish a strong Scottish parliament with tax-raising powers, a policy backed by the Liberal Democrats and by about 45 per cent of Scottish public opinion. The SNP is promising Scotland independence in Europe if it wins a majority of Scottish seats, an idea commanding 35 per cent in the opinion polls.

The Tories could hardly make a convincing U-turn towards a Scottish assembly at this late stage before the election. Instead, Tory MPs in England are turning the spotlight on the question of how Scotland could justify keeping all 72 MPs at Westminster if it had also its own parliament. A reduction in Scottish MPs could favour the Tories.

The hypothetical questions pile up in the dying months of this Conservative administration. Soon they may at last be answered.

IN THIS SURVEY

Few businesses are in serious pain, writes **James Buxton**

A milder form of recession

SCOTLAND is suffering a milder recession than the southern half of Britain. Unemployment in Scotland only began to rise at the end of last year, several months after it started going up in the UK as a whole, and in September and October this year it actually fell slightly.

The Scottish unemployment rate, which is often better only than Northern Ireland and the north of England, is now more than half way up the UK's regional league table. The jobless rate at 9.1 per cent is lower than that for Wales and the West Midlands. The differential with the UK average has narrowed from nearly three percentage points to less than half a percentage point.

As for other effects of recession, there is less traffic on the streets of Glasgow and Edinburgh than a year ago, and fewer shoppers on the pavements, but not dramatically so. Businesses such as taxis and restaurants are suffering, but few are in serious pain. The housing markets in Edinburgh and Glasgow are now flat, but house prices are still rising in Aberdeen and Dundee.

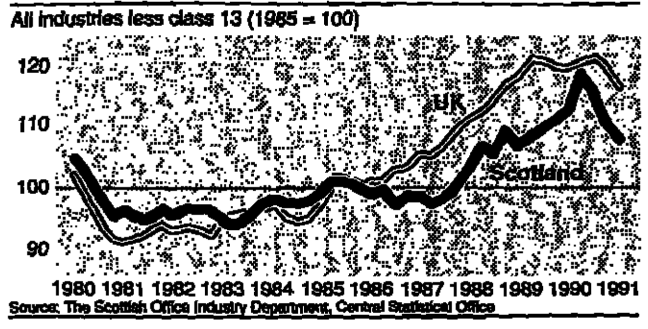
Scotland is doing relatively well in this recession because it never experienced the full excesses of the boom. When the English economy began performing strongly in 1986 and 1987, Scotland was suffering a downturn of its own, sparked off by the effect of falling prices on the North Sea oil industry.

When the upturn came it was weaker in Scotland than in the south. There was a boom in house prices in Edinburgh and to a lesser extent Glasgow, but prices never soared the way they did in the south. Though owner occupation has increased from 35 per cent in 1979 to more than 50 per cent today, Scots borrowed much less against their property than people in England.

With Scottish companies also less heavily borrowed than their English counterparts, Scotland was for a time less affected by high interest rates when they arrived in 1988.

Production and construction index

All industries less class 13 (1985 = 100)



Source: The Scottish Office Industry Department, Central Statistical Office

Consumer spending has gone on rising in Scotland over the past two years while it has been static in the south.

Although Scotland's index of production and construction lagged behind that of the UK as a whole from 1986 onwards, it almost caught up with the UK figure in 1990 before falling back again.

This is because Scotland's main products, whisky, computers and heavy engineering equipment, are predominantly exported rather than being dependent on the UK consumer market.

Above all, the oil industry expanded as the rest of the economy turned down: development spending in the UK sector of the North Sea is expected to reach a record £8.4bn this year compared with £5.8bn in 1989 and will only peak next year. Some 58 new oilfields should come into production between 1992 and 1995.

Because of the oil industry, unemployment in Aberdeen is only 3 per cent and companies such as Weir Group, the Glasgow-based engineering concern, a big supplier of pumps to the offshore industry, are making higher profits.

However, while north-east Scotland is largely unaffected by recession, the economy turned down in the central belt and elsewhere towards the end of last year.

The commercial property boom in Edinburgh came to a grinding halt in the middle of 1990 as English-based developers involved in projects in the city went bankrupt.

Across the central belt there has been a steady stream of failures of small- and medium-sized companies, and something of a white-collar recession among professionals.

But unlike the 1981 or the 1986 recessions in Scotland there have been relatively few large-scale redundancies and the rise in unemployment, from its low of 7.9 per cent, has been fairly modest. The important exception is the steel industry where British Steel's rapid rundown of the Ravenscraig complex and other plants in Lanarkshire will have destroyed about 4,000 jobs this year, including sub-contractors.

The defence industry is another source of gloom: GEC Ferranti, the defence electronics company based in Edinburgh, employed 6,700 people in 1989; with another 800 jobs now being shed its workforce will go down to about 4,000 by early next year. Another GEC company, the warship builder Yarrow in Glasgow, recently cut its 3,500-strong workforce by 650.

The peace dividend is also affecting military establishments: the US Navy is closing its Holy Loch submarine base next year, removing the livelihoods of about 3,000 local people. The Rosyth naval base is being scaled down over the next few years and the semi-privatised dockyard has been shedding staff.

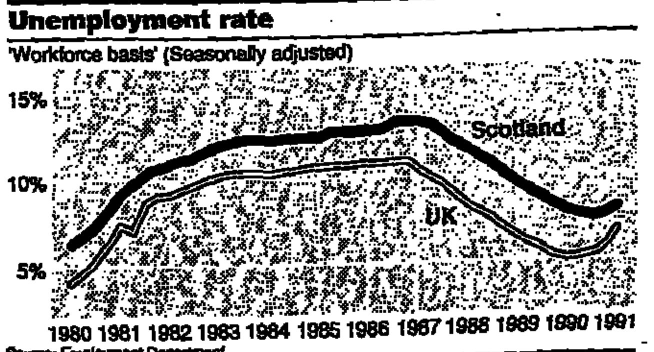
In the electronics industry the US company Unisys is to close its plant making cheque-handling equipment at Livingston with the loss of nearly 700 jobs, and the Clydesdale Bank is cutting 700 headquarters staff over the next 12 months. All this means that the unemployment figures will soon get worse again.

The recession has gradually brought the course of the Scottish economy into line with that of the rest of the UK. The Fraser of Allander Institute, the main economic forecasting body, expects Scotland will have begun moving out of recession in the last quarter of 1991 but does not expect a rapid recovery. Output, it believes, will have fallen by 1.5 per cent this year and will only rise by 0.9 per cent next year, slightly less than the UK economy as a whole.

Yet, although a survey of businesses by 3i and Scottish Business Insider magazine showed a growing number believed the economic climate was improving, hard evidence of recovery is hard to find. The chairman of three quoted Scottish companies said recently he saw no signs of an upturn. With the US and EC countries which are Scotland's main export markets growing only slowly it is difficult to see from where strong growth will come.

Unemployment rate

'Workforce basis' (Seasonally adjusted)



Source: Employment Department

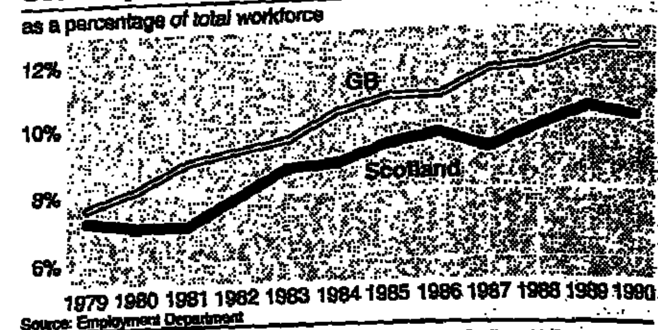
But if the north/south divide is narrowing, on past experience this will be only a temporary phenomenon. Underlying problems remain: Scotland has a relatively low rate of new company formation, as measured by new VAT registrations. This appears to be because Scotland has fewer of the ingredients which lead to business start-ups: the fact that Scottish houses are less valuable and there is less owner occupation means less money for entrepreneurs to invest, while a lower proportion of Scots are in the professional and managerial classes, the best source of entrepreneurship.

Takeovers of Scottish companies by companies in England or abroad reduce the opportunities for Scottish managers and diminish the professional services industry which serves them.

Takeovers are one of the centralising tendencies of the UK economy, and the process could be compounded as European integration proceeds and the Channel Tunnel opens.

Self-employed

as a percentage of total workforce



Source: Employment Department

A new fear is that Scotland's electronics industry which grew strongly in the 1980s before flattening off last year, could face secular decline: this is because personal computers, of which Scotland is one of the world's leading manufacturers, are fast becoming a commodity and are increasingly vulnerable to Far Eastern competition.

Finally, there is the demographic time bomb. The number of people aged between 16 and 24 is forecast to fall by 4 per cent between 1990 and 1995, the biggest drop of any UK region.

The total Scottish civilian labour force is predicted to drop by 73,000 or 3 per cent between 1990 and 2000, while that of the UK as a whole will rise by 2 per cent.

Although this will mean a tightening of the labour market and will reduce unemployment it will also mean that Scotland will face growing skill shortages. In the year to June 1990 Scotland enjoyed a net influx of 11,700 people moving in from elsewhere – the first net immigration since the mid-1970s. But the May 1991 census unexpectedly showed that the Scottish population had fallen just below the symbolic 5m mark.

James Buxton on a bad year for local authorities

Farce and tragedy

Ian Lang: uncomfortable moment

ONE OF Mr Ian Lang's less comfortable moments as Scottish Secretary came last March when he addressed the annual conference of the Convention of Scottish Local Authorities in Dunblane. The day before he had announced to parliament that the poll tax would be replaced in Scotland with the new council tax.

Mr Lang had to inform his Labour-dominated audience that although the council tax would account for an even smaller proportion of local government spending – only 14 per cent against about 20 per cent – than the poll tax, councils would now be subject to rigorous capping if they imposed too high a tax.

He also told them that the whole structure of local government would be turned upside down: the government wanted a single-tier system to replace the existing two-tier system.

This has been another wretched year for local authorities in Scotland. Although the government announced the disappearance of the poll tax in 1993 it created chaos for them by cutting all poll tax bills by £140 just after 3.7m of them in Scotland had been sent out or prepared; it even advised people not to pay anything until they received revised bills.

Soon after, Sir Robert Calderwood, chief executive of Strathclyde regional council, described the relationship between local and central government as "nothing short of drama, verging at times on farce and touching on tragedy."

Rates of payment of the poll tax have not recovered from that hiatus, when many people thought the poll tax had already been abolished and cancelled their standing orders or direct debits. Although Scottish councils are at last making a rather greater effort to chase up non-payers than they have since the tax was introduced in 1989 (a year earlier than in England), non-payment in Scotland this year is even worse than it was last year.

By the end of October, only 36 per cent of the revenue due had been paid, compared with 41 per cent for the same period of 1990/91. And councils are still struggling to collect £340m or 17 per cent outstanding from the first two years of the community charge.

Some councils such as Strathclyde had already cut this year's expenditure because of revenue shortfalls and nearly all face the prospect of doing so next year. Meanwhile, there are grave worries that the new council tax, with its combination of property and personal elements, will prove barely less difficult to operate than its predecessor.

The council tax is being introduced simultaneously in 1993 in England and Scotland, but to the annoyance of Scottish MPs is covered by a single parliamentary bill. Mr Lang eventually had to abandon in cabinet his original aim of preserving in Scotland a greater element of personal as opposed to property taxation in the new tax.

The structure of Scottish local government was last reformed only in 1975 when a hotchpotch of different types of authority was replaced by a two-tier system, with nine regional councils and 53 district councils (plus three single-tier island authorities). Nearly half the Scottish population was put into Strathclyde region, which embraces not just the Clydeside conurbation but Ayrshire and Argyll.

In June, Mr Lang produced his consultation paper on local government reform. It said the present system was "not readily understood" and that there was "considerable confusion in the public mind about which tier is responsible for what". Some regional councils were seen as too big and remote, and allegiances to former counties and county towns lived on. There was duplication and waste, in spite of the fact that, except on planning, regions and districts have separate responsibilities.

The consultation paper is vague and according to Dr Arthur Midwinter, a specialist on local government at Strathclyde University, lacks a serious diagnosis of the system and is based on spurious arguments. The paper is now the subject of a consultation process.

Mr Lang has indicated that the government would like to see about 40 or 50 single-tier authorities. The four cities, Edinburgh, Glasgow, Aberdeen and Dundee, would once again become self-governing. Strathclyde region would disappear, as would Lothian. The geographically vast Highland region would also go.

Although the regions and their staff are advancing strong arguments for not being abolished, the idea of creating single-tier authorities has many supporters. The Conservative party, as its proponent, believe it would ultimately increase support for the party, which now controls just three districts and no regions. Tory councillors, the argument runs, do better where there is a close correlation between services and local taxation: the removal of the regions would make clear who was responsible.

But Labour, in spite of controlling a majority of the regions, and the Liberal Democrats, also favour single-tier authorities, though for a somewhat different reason: they want to see the creation of a Scottish parliament, and the introduction of this extra layer makes it difficult to sustain the case for keeping two tiers of local government under it.

District councils would be too small to deal economically with services such as police, fire, water and sewerage and the government says they would probably need to be handled by larger organisations: it envisages joint boards involving more than one district.

Mr David McLetchie, the Edinburgh solicitor who chairs the Tory party committee on local government reform, says it is to propose also taking education out of the hands of local authorities (it is now run by the regions) and handed over to joint boards. These boards would consist of councillors, church representatives, businessmen and parents.

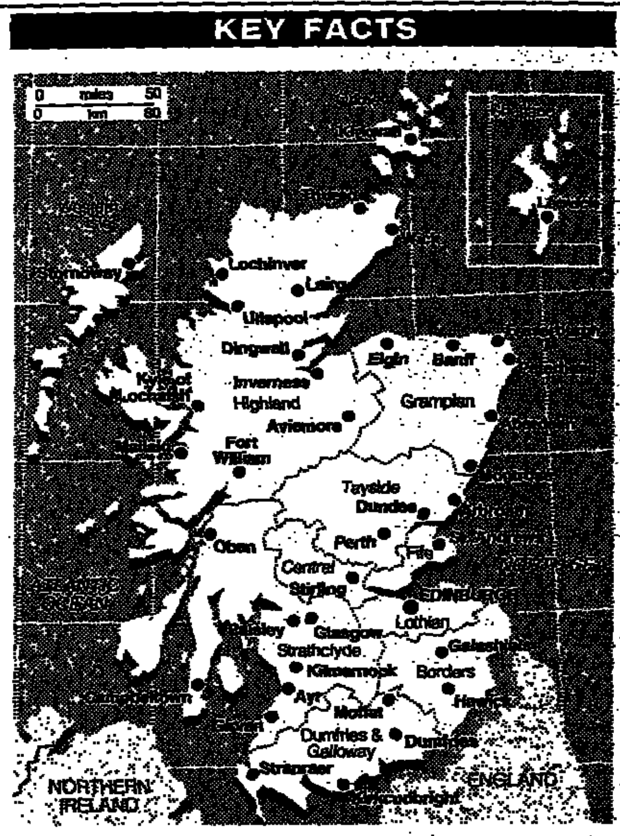
Mr McLetchie acknowledges that this would be politically sensitive. Yet, he says, central government has responsibility for education provision without being able to ensure that its policies (for example on primary school testing) are implemented, while councils face political opposition to closing redundant schools which waste money.

The weakness of the proposals from the Tory party committee, which are likely to be influential in shaping the legislation if the party is still in power after the next election, is that large areas of responsibility would be transferred from elected authorities to unelected boards, creating a "democratic deficit."

Already local authorities have seen new bodies such as Scottish Enterprise and its local enterprise companies in the field of economic development, Scottish Homes in housing, and the Nature Conservancy Council for Scotland (soon to become Scottish Natural Heritage) encroach on its functions.

Some Tories admit that it would make their proposals a great deal more acceptable if the Tories were also prepared to set up some kind of Scottish assembly or forum to which these non-elected bodies would report. And they hint that, in spite of official denials, the party is likely to give Scotland some such body if it wins the next election.

KEY FACTS



	Scotland	UK
Area (sq km)	70,080	242,520
Population (000s, 1990)	5,102	57,411
Population density (persons per sq km)	72.8	236.7
Population growth (1981-90)	−1.5%	+1.9%
Age structure (1990)		
below 16 years	20.0%	20.3%
above pension age	17.7%	18.2%
Live births per 1,000 pop (1990)	13.0	13.9
% of live births outside marriage (1990)	27.1	27.9
Deaths per 1,000 pop (1990)	12.1	11.2
GDP (1989, £m)	35,740	438,774
GDP per head (1989, £)	7,021	7,666
Employment Structure (June 1991)		
Agriculture, energy & water	4.5%	3.3%*
Manufacturing	19.6%	22.0%*
Construction	6.1%	4.4%*
Distribution & transport	26.3%	27.3%*
Banking, finance etc	9.5%	12.0%*
Public admin & other services	33.9%	31.1%*
Unemployment (Oct 1991, % of workforce)	9.1	8.7
Personal disposable income index (1989)	92.0	100.0
Earnings (avg gross full-time, 1990)		
Men	£276.40pw	£295.60pw
Women	£187.20pw	£201.50pw
Education (1990)		
Pupil/teacher ratio – primary	19.5	21.8
Pupil/teacher ratio – secondary	12.3	14.9
16-year-olds staying in education	76.8%	63.3%*
School leavers with GCSE grade A-C# (1989)		
Males Maths	46.1%	37.8%*
English	45.0%	38.9%*
Females Maths	50.2%	33.9%*
English	59.2%	52.0%*
Health (1989)		
NHS staff per 10,000 pop	247.7	189.8
Mortality rates (deaths per 100,000 pop)		
Males heart disease	471	382
cancer	328	301
all causes	1,147	1,352
Females heart disease	410	334
cancer	284	266
all causes	1,350	1,151

* Great Britain. # equivalent grades SCE ordinary A-C/1-3 or standards 1-3

Source: CSO Regional Trends 1991, Employment Gazette, OPCS

ANYONE RETURNING to Scotland after a few years' absence will find some striking changes on the economic development scene, at least on the surface.

No longer is the Scottish Development Agency, whose name echoed the 1970s, ubiquitous in the central belt; while, in the Highlands, the distinctly 1960s-sounding Highlands & Islands Development Board has gone.

The SDA was replaced this year by Scottish Enterprise, and the HIDB by Highlands & Islands Enterprise. Each has a bearded expatriate Scot recruited in the US as its chief executive. SE lured 44-year-old Crawford Beveridge from a top job at Sun Microsystems; and HIE has Iain Robertson, 40, who spotted an advertisement for the job in the FT while working for British Petroleum.

The visitor will also come across institutions that never previously existed. Glasgow now has the Glasgow Development Agency, with a budget of £74m. In Edinburgh there is Lothian and Edinburgh Enterprise (Leel). Lanarkshire has the Lanarkshire Development Agency, with a large budget to deal with steel industry closures.

Altogether, Scotland now has 22 local enterprise companies, or LECs. They are the equivalent of the Training and Enterprise Councils in England, but, unlike TECs, they have development functions inherited from the old SDA and HIDB in addition to training. They enjoy a level of public awareness that many of the TECs would envy.

The creation of SE and HIE dates back to 1988, when Thatcherism was in full flood. It involved an unhappy wrench for many people in the old organisations, many of whom, especially in the case of the SDA, left. The government's aims were to merge training with enterprise development, introduce TECs into Scotland under another name, wipe away two organisations founded by Labour, and build on the SDA's successful, if belated, experience in setting up regional offices.

James Buxton looks at changes in the development scene

Enterprising developments

Eight months into this experiment, it is too early to reach firm conclusions; but it is obvious that the original hope, that the creation of the LECs would release new energy into the economic development process, is being fulfilled. SE handed out 83 per cent of its budget to the LECs, compared with HIE's initial disbursement of 25 per cent.

Some would not regard the creation of well-staffed press offices right across the LEC network (where formerly there was just the SDA and the HIDB press offices) as the most productive use of energy, while the proliferation of LECs may have confused national training providers as each LEC presents a different training contract. But the LECs are also taking more substantial initiatives. In Edinburgh, Leel is playing a leading role in the project to create an opera house. Glasgow Development Agency has, with the city council, devised a new logo for the city accompanied by a set of sectoral initiatives. Western Isles Enterprise is attempting to mitigate the effects on the islands of its council's loss of £23m with the Bank of Credit and Commerce International.

Some people will argue that these and other projects might have happened anyway if the SDA and HIDB had stayed in being – in some cases the projects were inherited from them. Much more is heard about projects than about the training, on which the larger part of the SE network's budget of about £450m is spent, although Mr Beveridge said recently that all the LECs were meeting their contractual obligations on youth training and employment training – a better performance than that of the TECs in England.

After the first six months, LECs in SE's area had spent 85 to 90 per cent of their budget allocations, and two had admitted they would not spend their full budgets this year. This may be due partly to delays in getting the new organisations started, and partly to the shortage of investment opportunities in the recession.

With so much power and money devolved to the LECs, what is SE itself doing? It likes to be known as Scottish Enterprise National, to distinguish it from the network as a whole. As well as monitoring and funding the LECs, it concentrates on Scotland-wide initiatives in different sectors, on large-scale projects and inward investment, which as before is handled through Locate in Scotland (LIS).

SE National mounted a strong challenge to the Department of Energy's refusal to move its Petroleum Engineering division to Aberdeen (which it believes will boost the oil industry) and persuaded the government to review it. In a sign of rivalries in the LEC network, SE had to order Scottish Enterprise Tayside not to muddy the waters by pressing the claims of Dundee as an alternative to Aberdeen.

SE National has also devised a set of strategic objectives for Scotland that should be a reference point for the whole network. The aim is to build "a high-output, high-income economy with a high quality environment", which together should produce "a high quality of life for Scots". Although this might seem vague and platitudinous – the plan manages to nod in the direction of most of the activities SE is engaged in – it does contain at least two nuggets.

One is an emphasis on the crucial importance of manufacturing as a generator of wealth and as the ultimate source of the service-sector jobs, which have seen the greatest expansion in Scottish employment in recent years. The other is an implied switch in the allocation of SE's resources over the next five years, from crude "access to jobs" (i.e., statutory training programmes) to improving skills, developing the technology base, encouraging businesses to think globally and expanding exports.

At Locate in Scotland, Robert Crawford, the new director, faces the problems of fewer international companies seeking to set up overseas plants, and strong competition for inward investment from Ireland with its lower taxes, and from Spain with its cheaper labour and sunnier climate. He wants to reduce Scotland's dependence on electronics manufacturing and assembly, and develop engineering, chemicals, software development and other forms of intellectual property.

Mr Crawford wants LIS to be more proactive, not just attracting and accommodating companies that want come to the EC but also devising industrial projects. The first example is an initiative to find a company that would develop an airframe maintenance base at either Prestwick or Glasgow airports, to tap Scotland's large engineering skills base and complement the existing aero-engine maintenance industry in Scotland.

Stewart Dalby investigates a dying industry in Lanarkshire

In search of life after steel

LANARKSHIRE, the industrial area just south-west of Glasgow, is in a position similar to that in which some of the regions in the north-east of England and in south Wales found themselves 10 years ago.

A heavy industry is dying and Lanarkshire will have to find jobs for many redundant workers.

The industry has been suffering from a long, lingering illness. It was believed that drastic surgery could cure the sickness. This resulted in Lanarkshire falling behind other development areas in attracting new companies.

The industry is steel. Other steel towns, such as Corby in the Midlands, Scunthorpe in Humberside and Consett near Newcastle, have attracted new companies to create jobs.

In Consett, for example, 5,000 people used to work in the steel industry in the late 1970s. Before the second recession in 10 years struck a little over a year ago, almost 5,000 jobs had been created on the business parks built on the old steel sites.

The jobs were spread among 200 companies in a wide range of activities including food processing and plastics.

Theoretically, Lanarkshire could do the same, but uncertainty over the fate of the steel industry has delayed the process.

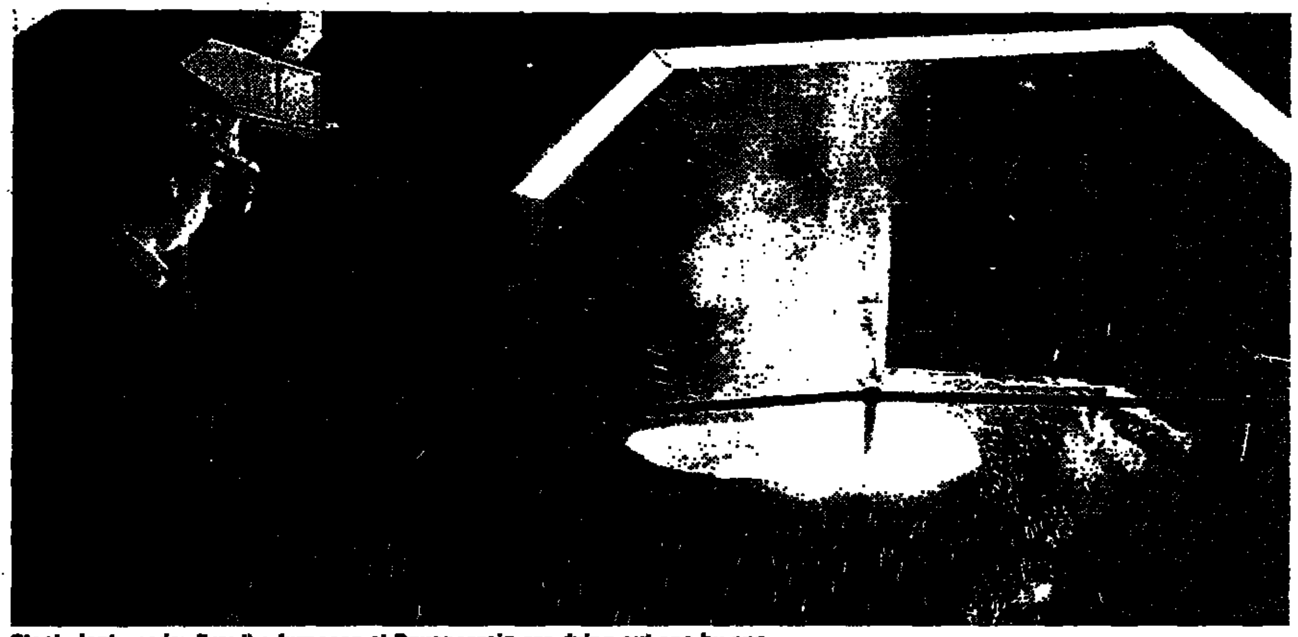
The timetable of events so far is as follows: Earlier this year Clydesdale tube works at Bellshill announced it would close with a loss of 1,200 jobs.

The hot strip mill at the Ravenscraig complex in Motherwell also closed earlier this year with the loss of 800 jobs.

Instead, British Steel is concentrating production in south Wales.

The Dalzell works, which is the plate-making brother of Ravenscraig, also has an uncertain future. In July, British Steel said it wanted to build a new £400m plate mill on Teesside, though no date was announced. This would mean the closure of Dalzell and the loss of 600 more jobs in Motherwell.

A large question mark now hangs over whether the rump of the Ravenscraig steelworks, a slab-maker, will continue production after 1994 when British Steel's conditional guarantees in 1988 at the time of privatisation run out.



Steel plants under fire: the furnaces at Ravenscraig are dying out one by one

British Steel has not spelt out its plan for Ravenscraig, because of the risk of undermining industrial confidence and partly, one supposes, because the subject is politically sensitive. Some groups, such as the trade unions, felt that the guarantees meant that somehow there would be a steel industry in Scotland after 1994.

One solution proposed in 1988 was that Ravenscraig could be sold to a suitable buyer. At the time, it was not made clear whether it would be for sale with or without the strip mill.

Although there are precedents in the US for plants such as Ravenscraig surviving without a strip mill, it seems unlikely that a buyer could be found for a slab maker in this particular location.

Closure of the Ravenscraig rump would mean the loss of 2,400 jobs and bring to an end steelmaking on any scale in Scotland.

Mr Archie Bethel, the chief executive of the Lanarkshire Development Agency, one of the new, combined development agencies and training councils being set up throughout Scotland, says: "It may have made sense once to have steelmaking here when there were cars being made at Linwood and tractors at Caterpillar. Now, there is no industrial logic at all. These companies have disappeared. Dalzell is moving to Teesside because it wants to be near a port. I think most people now accept that this kind of manufacturing is a thing of the past, and we must look for new ways of making a living."

Mr John Fairlie, the regional manager for Scotland of British Steel (Industry), the company set up in 1975 to help new companies establish themselves in steel areas, agrees. "People here now accept that there has to be a life after steel. But it has only been in the past 12 months that the realisation there may not be a steel industry for much longer has been accepted."

Mr Bethel and Mr Fairlie see the future in terms of encouraging small home-grown companies to expand and to attract new high-technology companies to the area.

Mr Fairlie says: "It makes no sense at all to bring in new heavy industry. We need to attract low-volume, high-value niche producers where our local costs offset the transport costs of being on the periphery of Europe."

In its favour, Lanarkshire has good communications. Motherwell is close to the point where the M73 and M74 meet. It is also close to the M8 linking Glasgow and Edinburgh.

It has a highly skilled workforce. If all the steel closures go through there will be 5,000 unemployed. A further 10,000 jobs in related industries could be at risk.

This would mean finding new jobs for almost 10 per cent of the total workforce of 160,000.

Lanarkshire is also cheap. Industrial land costs £75,000 an acre in prime sites, and rents can be as low as £2.50 a square foot.

There is no shortage of land. Lanarkshire has won the contract for a dedicated Scottish Eurofreight terminal at Mossend, just outside Motherwell. The initial cost is £20m (of which £3m will come from the Lanarkshire Development Agency) and it will be built on an 800-acre site.

There is a potential for a freight village and other warehousing and manufacturing activities.

The real bottleneck is the lack of serviced sites. Mr Fairlie says: "Having purpose-built factories and offices is vital. Companies just will not come unless you have premises ready for them."

British Steel Industry is spending some £3m of this year's £10m budget on factory building. It is involved in a 65,000 sq ft factory at Strathclyde Business Park, a 155-acre site costing £50m, where William Grant's has recently announced a £12m bottling plant.

Mr Bethel is also pumping money into the business park and more than £10m of the development agency's £52m this year is to go on property development.

Other money, from the LDA and British Steel Industry, is to go on training and developing local companies such as food and plastic concerns.

" We are not interested in a Nissan or a Toyota, or any big manufacturer like that. We want small, niche companies which are high value. We do not regard foreign investment as the 'be all and end all'. We want to grow our own concerns. East Kilbride, which is in Lanarkshire, has prospered through new investment. So can Motherwell."

EDINBURGH

Staid city seeks more sparkle

EDINBURGH'S THUNDER has been stolen by Glasgow in recent years, at least in publicity terms.

Through its "Glasgow's Miles Better" campaign, the 1990 European City of Culture promoted itself as a successful post-industrial city, living off services and tourism. Large tracts of the inner city were redeveloped as offices and shops, and new companies were drawn in, to replace ailing industrial concerns.

Edinburgh, in contrast, has the image of a staid provincial capital, resting on its laurels as an old-style financial-services centre, with lawyers, accountants and fund managers crammed into inadequate offices behind Georgian façades. It has taken tourism for granted, thinking that its handsome castle and other historic architecture will always attract visitors, irrespective of whether facilities are improved.

While Glasgow has become the home of the Scottish Ballet and Scottish Opera, Edinburgh is perceived as having its cultural life squeezed into the three weeks each summer when it holds its famous international festival.

Glasgow has a new concert hall, but Edinburgh has still not been able to establish either a purpose-built conference centre or an opera house.

Edinburgh's apparent failure to develop in the manner of Glasgow has been attributed to civic uncertainty followed by recession.

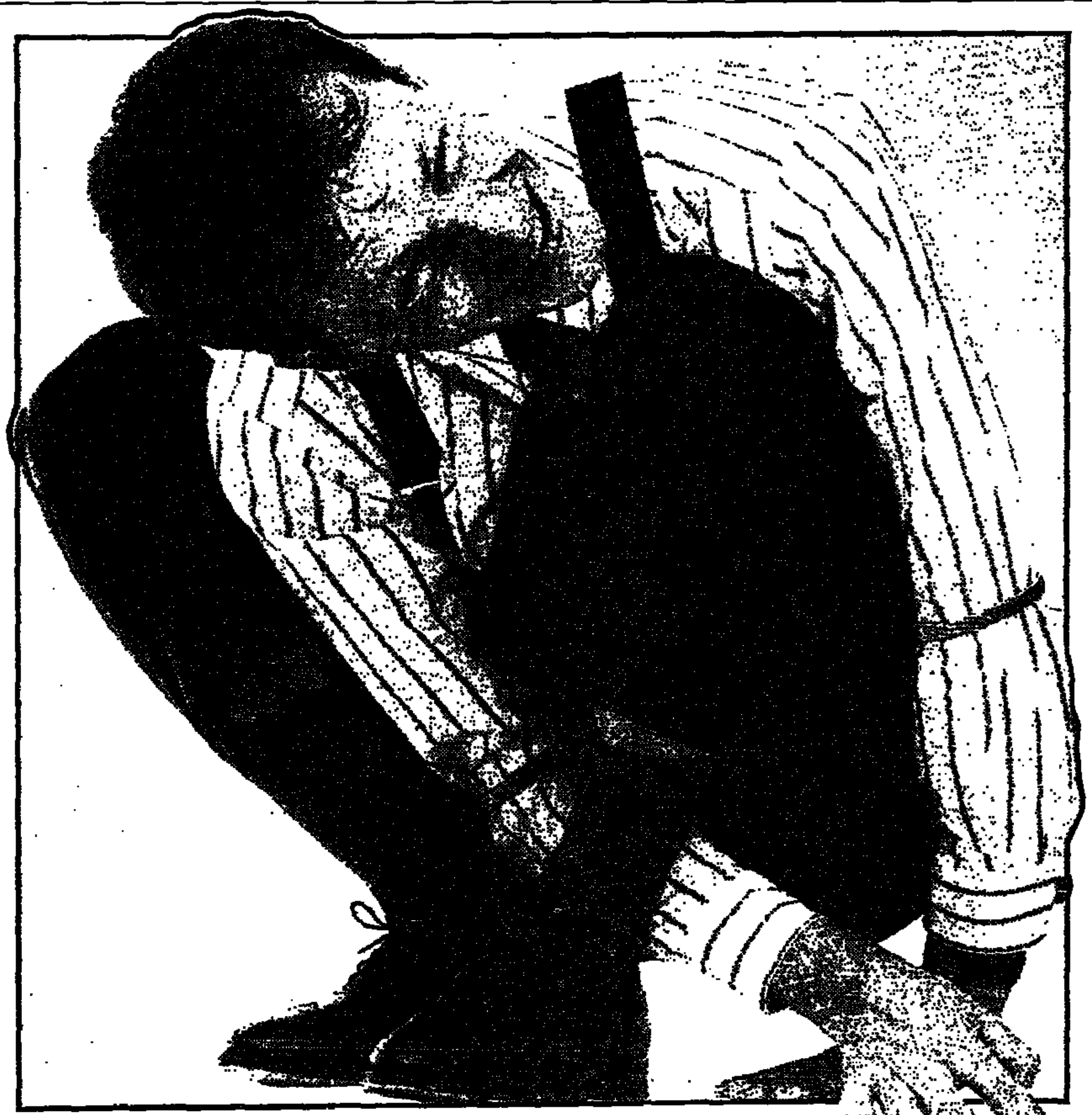
Peregrine Lewis, of the public relations company Citigate, says: "There was a feeling that complacency developed and that the councils did not know in what direction they wanted the city go."

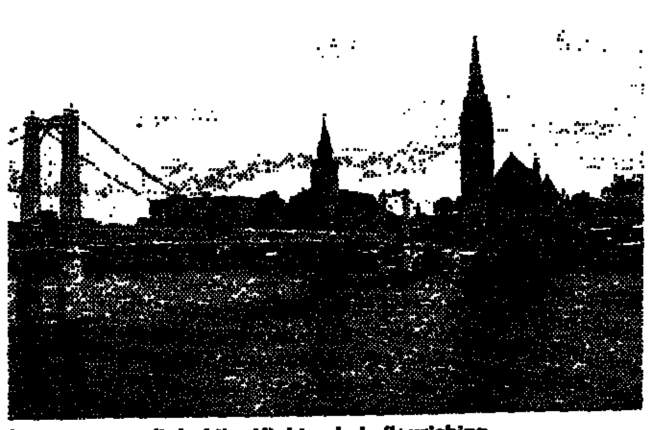
Until 1984, the district council was Conservative-dominated and considered to be conservative in its approach to development. That year, the left-wing Labour group took control, and for different reasons did not want to redevelop the city centre.

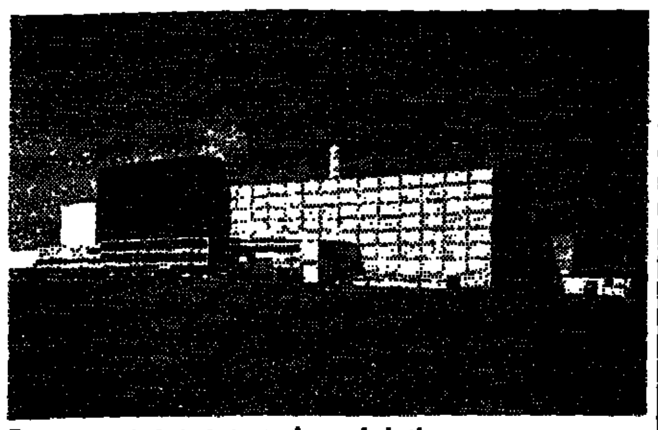
In 1986, the complexion of the council changed again, and a more moderate district council laid plans to develop a 1,200-seat conference centre on a site in Edinburgh's old town, close to the castle. But when recession struck, in the late 1980s, the private developers pulled out, so that the conference centre has still to be built.

The conference hall may still be some way off, but Edinburgh will certainly be getting an opera house in the next two years, although it will not be called an opera house.

Continued on next page




Inverness: capital of the Highlands is flourishing


Dounreay: concern over rundown of plant

THE HIGHLANDS

Alpine fastness prospers

FOR THE first-time visitor, Inverness is not what is expected. Anyone who imagines a rundown, alpine fastness, full of craft shops and pubs and very little else is in for a surprise.

With its first-class hotels, pedestrianised shopping precinct, banks, buildings societies, McDonalds and Marks and Spencer, Inverness could be any bustling town in the prosperous Home Counties of south-east England.

But the backdrop of hills makes Inverness seem more like a prosperous village in Austria or Switzerland.

The capital of the Highlands and Islands is flourishing. The streets of Inverness are crammed with visitors and shoppers.

This is partly because of the revival in the fortunes of the oil industry in recent years. Higher activity in oil has spread prosperity throughout the Moray Firth area.

Improvements to the A9 north/south trunk road has meant that Inverness has become the main commercial and service centre for the Highlands and Islands – an area which accounts for half the land mass of Scotland but which has only 370,000 people.

Mr Bob Kass, the head of communications and marketing services at Highlands and Islands Enterprise (HIE), a new body created out of the old Highlands and Islands Development Board and the government's Training Agency, says: "People drive for two hours at the weekend to stock up for a month at Marks and Spencer. Ten years ago it would have been inconceivable that Marks and Spencer would even be here.

"Similarly, there are several discount stores. People will take ferries and drive for hours to buy white goods like washing machines at these places. Businesses used to have to go down to Glasgow to get tractor or computer parts; now they can get them here."

The town may be growing rapidly and be responsible partly for reversing the depopulation of the region, but it is not, as the HIE is at pains to point out, typical of all the Highlands and Islands. It should not be used as an argument for reduced aid for the region.

There are at least four separate, but non-contiguous Highlands and Islands areas as the HIE sees it. There are parts such as Inverness and its surroundings which are fairly prosperous and have unemployment rates below the Scottish average of around 9 per cent.

The Shetlands are prospering because of the Sullum Voe oil terminal. Orkney is not considered a priority area for assistance, because of successful agriculture, and a number of home-grown companies involved in crockery and jewellery.

A third classification are the unemployment black spots where one large employer has gone under. The siting of an aluminium plant at Invergordon in Easter Ross and a paper mill at Corpach, near Fort William, both of which closed with large job losses, are now seen as part of a discredited policy of trying to foster growth points.

Concern at present surrounds the rundown at the nuclear energy plant at Dounreay, the closure of the US naval base at Holy Loch and a fall in oil-related activities by the mid-1990s. These developments could result in a loss of 6,000 jobs.

The fourth category of the Highlands and Islands is the Western Isles, the Inner Hebrides and most of the west coast. These are referred to as the "fragile areas".

The different parts of the Highlands and Islands are deemed to need various types of investment and treatment ranging from a little stimulation in places such as Inverness to a lot of aid in the thinly populated west of the Highlands.

The crofters and farmers of the Western Isles have suffered cutbacks in assistance for agriculture from the EC and a slowdown in the growth of fish farming because of a glut of farmed salmon from Norway. Worst of all, the islands' largest employer, the council, lost £23m in the collapse of the Bank of Credit and Commerce International and may have to shed jobs and increase the poll tax.

Mr Iain Robertson, the chief executive of the HIE, says: "There has been a failure for imported large-scale industries to survive and prosper. It makes no sense trying to bring in industries which logically should not be here."

But he feels there is a place for small niche companies where transport costs and other costs involved in being on the periphery can be offset by lower wage and factory costs.

He cites a number of companies one making cabinet freezers, which employs more than 200, and another manufacturing crockery with a workforce of about 50.

"Often the companies come for idiosyncratic reasons. Perhaps the husband or wife comes from the Highlands and wants to get back to his or her roots or, they like fishing or climbing or simply the clean air.

"But they prove that small companies with the right product can flourish in the Highlands. Telecommunications are excellent. We have one of the best telephone systems in Britain. The road network is greatly improved," Mr Robertson says.

He says there is scope for all kinds of companies – data transmission companies, concerns added value to food, fish and the like and computer concerns.

Mr Robertson sees the HIE spending a substantial part of its £75m budget on encouraging these kinds of companies – channelling the money through the 10 Local Enterprise Councils which have been set in the Highlands and Islands.

The HIE will be involved in building factories and offices and, through the Local Enterprise companies, in training.

On the Western Isles, the HIE wants to concentrate on building up indigenous industries such as tweed-making. For example, there is great scope in using tweed in the manufacture of furnishings.

It also wants to upgrade tourism.

"We have only a 12-week season and a low quality skiing industry. A lot could be done to encourage winter breaks, and build up activity holidays out of season. We could also take measures to improve our skiing industry," Mr Robertson says.

Stewart Dalby

Stewart Dalby looks at conservation and the environment

Rich heritage under threat

TWELVE months ago the call by the Countryside Commission for Scotland to set up four national parks in mountain areas was the conservation topic of the day. This was because national parks elsewhere have suffered from the honeypot effect – the tendency by the uncaring public to leave litter in beauty spots.

A year before, the rapid spread of fish farming and the planting of conifers in the Caithness and Sutherland peatlands were the most contentious environmental issues.

The heat has been taken out of the national parks' debate by a rejection by Mr Ian Lang, the Secretary of State for Scotland, of the central recommendations of the CCS and, instead, to set up working committees on the physical management of the four designated areas – the Cairngorms, Loch Lomond, Ben Nevis/Glen Coe/Black Mount and Wester Ross.

The collapse in the price for farmed salmon has temporarily eased the growth of fish farming. The overplanting of conifers in the far north of Scotland was halted by changes in tax concessions and grants available in 1988 and 1989.

Today, the burning environment issue is the compensation being paid to large landowners for not planting trees on Sites of Special Scientific Interest (SSSIs) which happen to be on their land.

In a well-publicised case, Mr John Cameron, one of the largest land owners in Scotland with 35,000 acres, and who is also chairman of ScotRail, was awarded £580,000 compensation by the Scottish Lands Tribunal against the Nature Conservancy Council for Scotland.

The NCCS had denied him permission for plans for integrated forestry and farming employing five families on 20,000 acres. The NCCS has restriction orders on two SSSIs in the area.

Mr Cameron's application pre-dates 1989 when the rules for tree-planting were changed. There are 23 other outstanding claims against the NCCS, which is responsible for establishing the SSSIs. These claims include one by the Conservative peer and former Conservative MP, Lord Kimball.

Although none of the awards is expected to be as large as to Mr Cameron's, it is a worry for the NCCS which has a total budget for 1991-92 of £19m. The NCCS is among those urging change in the Wildlife and Countryside Act of 1981 which covers the SSSIs.

The conservation debate in Scotland clearly covers a wide range of issues.

Underlying them all is the fact that the country has an exceptionally rich physical heritage and a great wealth of flora and fauna.

Mr Magnus Magnusson, the chairman designate of a new body to be started next April, the Scottish National Heritage, says: "Few countries have been bequeathed such sheer beauty or so many variations of nature within such a comparatively small compass."


Cutbacks in agricultural assistance have hit the crofters of the Western Isles


Picture: Ashley Ashwood
Norwegian competition has curbed the growth of fish farming

Half the land in Britain designated SSSIs is in Scotland – some 750,000 hectares. The NCCS looks after 1,300 SSSIs which amount to 10 per cent of the land area of the country.

Some of the SSSIs fall within national scenic areas which are the balliwick of the CCS. Some 13 per cent of Scotland is designated national scenic areas (22 per cent of the Highlands region). Broadly, until now the NCCS has looked after the flora and fauna and the CCS the physical landscape.

Other SSSIs are on private land.

Land use in Scotland has a complex background. The Jacobite rising of 1745 began the overthrow of the old social order in parts of the Highlands. New patterns of land holding, the spread of sheep farming, the clearances, emigration and the emergence of the Victorian sporting estate all generated deep emotions which reverberate in some parts of the Highlands to this day.

The view that all of Scotland outside the towns is divided into small crofts or large estates is simplistic. The Scottish Landowners Federation estimates 35 per cent of its 4,000 members own 190 acres or less while 64 per cent own up to 350.

In the Highlands, however, the pattern of small landowners making a living from farming and tourism on the one hand, and the large estates often badly managed for absentee landlords or institutions on the other, is more pronounced.

It is these areas that are most environmentally sensitive.

The central issue for conservationists is how to protect and improve Scotland's rich heritage of landscape, seascape flora and fauna consistent with developing the highlands region, not just for the 370,000 people who live there but for those who might wis to visit – skiers and other tourists.

How are small landowners to be encouraged to stay on the land and possibly supplement their incomes from tourism , while, at the same time, be discouraged from despoiling the landscape or breeding too many sheep?

How are large estate owners to be prevented from raising large deer herds and overgrazing the land, while retaining their rights as private landowners to do as they please with their land?

The NCCS estimates that 350,000 red deer in Scotland are twice as many as the available grazing land can safely sustain without erosion of the countryside.

The management of large estates has been brought into focus by the question of Mar Lodge, the 77,000-acre estate which the US media tycoon Mr John Kluge is trying to sell for £10m. A number of interested groups, including the Department of the Environment, the Scottish Office, National Heritage Memorial Fund, the Worldwide Fund for Nature, the Chris Brasher Trust and the Royal Society for the Protection of Birds have been looking at ways of buying the estate for the public.

The estate has extensive remnants of the Caledonian pine forest. The flora and fauna are regarded as of international importance. The feeling among environmental groups is that the estate may not be protected under a new private owner.

Mr David Mitchell, of the Royal Society for the Protection of Birds, says: "This estate makes up half the Cairngorms. It has not been actively badly managed but has suffered from neglect. There are far too many red deer."

Mr Simon Pepper, of the Worldwide Fund for Nature says: "This is the most important conservation site in the country. It has a unique range of wildlife and the pine forest. It would be best managed in the public domain."

Deciding where the battle lines are drawn between private owners and conservation groups is complicated by the multiplicity of agencies and interest groups. The Forestry Commission looks after forestry. The Crown Estates owns the coastline and the seabed. The NCCS was until last April, when it was hived off into a separate Scottish body, part of the National Conservancy Council and answerable to the Department of the Environment. The CCS is responsible to the Scottish Office.

Standing behind these groups are the regional and district councils which in most cases have planning control over land use.

Beyond all this is an obscure law of trespass which makes the whole question of access complex.

Clearly, administering the environment should be more streamlined when the CCS and NCCS become one body, but the issues will remain complex.

Staid city seeks more sparkle

Continued from previous page

In October, Lothian and Edinburgh Enterprise (Leel), a combination of enterprise council and training agency, announced that the Empire theatre – built in 1893 but used as a bingo hall since 1963 – would be transformed into a new Lyric theatre at a cost of £15m. Funding will come from Leel, Edinburgh District Council, the Scottish Tourist Board, the Scottish Arts Council, Historic Scotland and the private sector.

The theatre's season will centre on the festival, but with almost 2,000 seats it will be able to accommodate Scottish Opera and Scottish Ballet throughout the year, and also to host international drama and opera companies.

The city's next priority is to create an international financial and conference centre. Andy Irvine, the former Scottish rugby international, now a senior member of the chartered surveyors Jones Lang Wootton, has been instrumental in developing new business premises. He feels that Edinburgh's reputation for complacency has been exaggerated.

"There has been a lot of hype concerning Glasgow," he says. "I am not knocking the city. I've worked and lived there, and liked it. But, compared with Edinburgh, it started from a very low base. It was an old industrial town which needed regenerating. There was lots of land available for redevelopment. There was also lots of help from the government. Glasgow is a development area. It also gets European money.

Edinburgh has never had industry. This city gets little help. It is full of beautiful architecture. There are all kinds of pressure groups stopping building."

Mr Irvine says he would "think it monstrous if some of our Georgian buildings were pulled down to make way for skyscrapers", yet he does believe that new sites and properties must be developed if Edinburgh is to retain its position as the UK's largest financial centre after London in terms of funds under management. The city has several life assurance companies, the headquarters of two clearing banks and a number of independent fund managers. Most of the financial companies are housed in Georgian houses in the city's new town, in an area between St Andrew's Square and Charlotte Square and connected by George Street. Companies often occupy up to five adjacent houses.

"This is all right while you have 40 employees," says Mr Irvine, "but with anything more you've got problems. You cannot change façades or take out staircases. There is a tremendous problem with parking. The city really needs new high-technology offices."

It is beginning to construct these. Castle Terrace is open – 160,000sq ft of office space, close to the castle and only five minutes' walk from Charlotte Square. Dundas & Wilson, one of city's leading solicitors, and Martin Currie, the fund manager, have already taken space there.


Military tattoo: cultural life squeezed into three weeks

At £23 a square foot, rents may be more expensive than the £20 paid for premises in Charlotte Square, but they are open-plan and more appropriate.

The next project is to be a seven-acre site in Lothian Road, just beneath the castle, where the conference hall will probably be situated. The district council recently announced that £25m would be made available, though it has yet to find a contractor.

Also in this area, Standard Life, the life assurance group, has announced that it will invest £100m in office developments.

A third large project, just outside the city at South Gyle, involves plans for a business park on 130 acres, to be called Edinburgh Park.

The district council, meanwhile, proposes to tackle the city's horrendous traffic problems. The idea of a light transit system seems unlikely to get very far, because of the cost, but other schemes being considered include park-and-ride and better routing of buses.

The council also wants to improve tourist facilities, with better information services and, at the castle, easier access and better catering.

Stewart Dalby

TECHNOLOGY

Now you see it, now you don't

Tim Lawrence explains how morphing works

Forget Arnold Schwarzenegger and Michael Jackson – Hollywood's fastest-rising megastar is a computer program nicknamed "Morph".

Short for metamorphosis, Morph is a computer graphics system which enables an artist to transform one shape into another through a series of *intermediary steps. The possibilities are infinite.*

In the film *Terminator 2*, which starred Schwarzenegger, morphing was fundamental to the T-1000, a liquid-metal cyborg which mutates from one form to another. In one scene the T-1000 pours itself into a helicopter and then takes on a human shape. In another it assumes the identity of the mother of the child it has been sent to "terminate", dissolves into the silvery cyborg and then turns into a police officer, *its* alter ego.

Morphing has also grabbed the plaudits in pop star Michael Jackson's new video, *Black or White*, in which Jackson turns into a black panther.

To create a morphing sequence, the first frame in the transformation and the final result are fed into a computer, which calculates how to fill in the transitional frames so that the first figure mutates fluidly into the last.

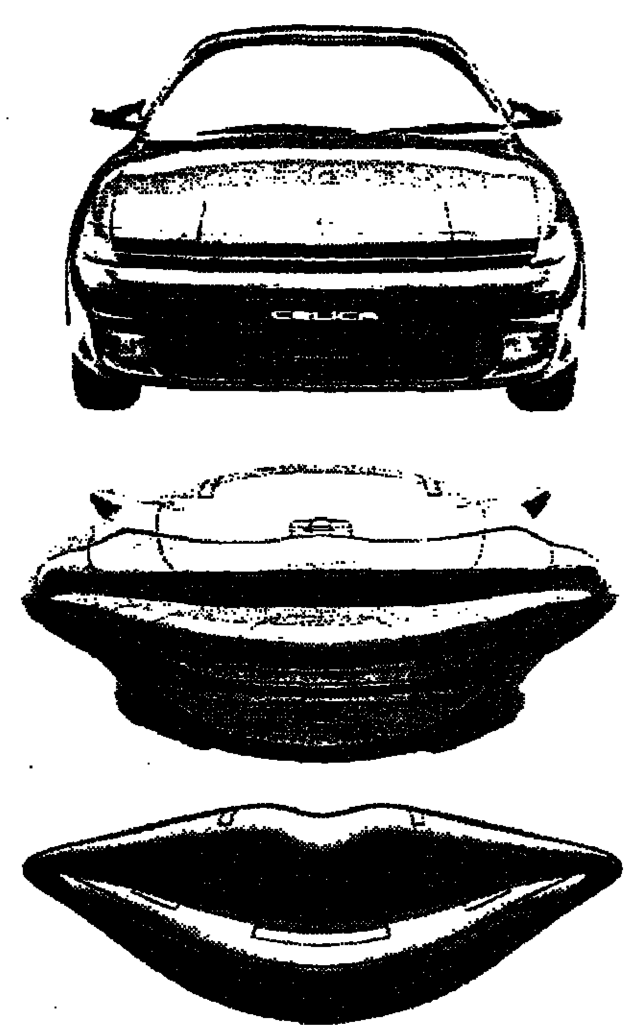
Morphing was first used by Industrial Light & Magic (ILM), the leading special-effects company based in the US, in *Willow*, but the breakthrough came with *Terminator 2*, which was hailed as a landmark because of its unprecedented *use of computer images.*

While critical to the film's commercial success, the effects also contributed to its record production costs of $90m. ILM was paid $6m for its 43 shots which lasted for five minutes. On a per-minute basis, they cost more than Schwarzenegger, who was paid between $12m and $15m but who was on *screen for a lot longer.*

After its breakthrough in cinema, morphing is now being used in advertising. ILM used the technology in an advertisement for brokers Merrill Lynch, which involved a bear metamorphosising into a bull to illustrate the company's skill at turning around depressed stocks. ILM has also made a commercial for Toyota in Japan in which a pair of silvery metallic lips growl "Read my lips, baby" and transform into a new Celica car (see illustration).

But ILM has far from cornered the advertising market. Other companies are entering the fray, most notably Pacific Data Images, which produced *the Jackson sequences. In one* PDI advertisement for Exxon, the US oil company, a car transforms into a running tiger, and in a advertisement for Schick a "blockhead" transforms into a "regular guy" to illustrate the company's new flexible razor.

So far, there have been no advertising opportunities for *morphing in the UK.* "UK ads are long and depend more on plot and dialogue compared with the US and Japan, where ads are more technology driven," Kennedy says.



BR's new ticket to ride

Daniel Green on plans for high-tech rail bookings

"It's the latest thing from British Rail," said the travel agent, gesturing at a dot matrix printer.

The "latest thing" is a ticket printer, attached to a personal computer that can plug into BR's reservations computer. It might seem a giant leap into the 1980s, but it means leaving behind 150 years of railway tradition.

If you live in, say, Glasgow, and want to buy a train ticket *from London to Bristol*, your travel agent will consult a printed timetable and a separate fares schedule before writing out your ticket by hand. The seat will not be reserved. It is a slow process compared with airline ticket sales.

High-tech ticketing is not only better for passengers – the airline experience shows that management wins *too.*

- Market research is improved. Data from bookings and reservations could quickly give BR a clear picture of demand patterns and who the regular users are.
- Cash flow is better. Electronic payment systems can be grafted on to electronic ticketing. Regular business users can be invoiced automatically.
- Yields can be improved. Airlines use *information from* market research to price some seats cheaply to attract early bookings while putting a high price on flexibility for late booking and business travel.
- Airlines plan to introduce magnetic stripes on tickets. These should increase security, reduce fraud, speed up check-in and cut staffing.
- *Business travellers can* be offered better service – advance booking would be easier. Other services – itinerary planning, hotel reservations and, eventually, rail-air tickets – are also attractive.

The prospect of luring the business customer is the driving force behind BR's plans. It also encouraged SNCF, the French railways, to introduce airline-style booking two years *ago.* "France leads the world in automated rail booking," says Steve Page of Galileo International, the airline booking service owned by British Airways and nine other carriers.

Through SNCF's booking service, Resarail, you can buy any ticket that involves a French train, with a choice of Channel crossings and connec*tion times. Rather than* develop its own system, SNCF adapted software from the Sabre airline ticket network, a rival to Galileo which is owned by American Airlines.

Galileo, meanwhile, is pushing hard to offer rail booking in the UK, where agents have the option of buying access to BR's reservations computers. The functions are limited to listing single train times and producing a ticket.

Many of the advantages of the airline approach are still not available. Ticket prices have to be looked up manually, each journey is separate and itineraries are not automatically displayed. BR says it is an interim service.

Galileo will have offered this to 2,000 UK travel agents by July 1992. It *intends* to incorporate the next phase of BR's automation, Facets, from Easter 1992. This will eventually integrate booking and prices but still does not supply management and accounting data to central computers.

For the airline booking services, integration with rail is a double-edged sword. Some passengers might be tempted away from short-haul routes on to rail. Cash paid for tickets bought at UK travel agents passes through a central clearing house and is handed to the airlines once a month. It may not be simple to include rail tickets in this arrangement.

Doug Chapman, BR's national travel chief, says it will be two years before it has finished comparing options for integrating with airline systems. BR has a close relationship with *Galileo, is* holding talks with Sabre this week and has made contact with another airline ticketing service, Worldspan.

"There is a sense of urgency, but with 18 months to go until the Channel tunnel, we should be doing rather than talking," says Mike Thorne, managing director of Galileo UK.

Game, set and microsensor

TENNIS rackets which can monitor the ball contact are now available thanks to a new kind of semiconductor – the microsensor.

With applications for chip microsensors ranging from heart pacemakers to on-board diagnostic systems for cars, the market for these sensors will grow dramatically, according to a report from New York consultants Frost & Sullivan International.

According to the study, "The US Market for Chip *Microsensors*", the application of integrated circuit techniques to sensor fabrication will contribute to chip prices dropping by up to 50 per cent over the next five years.

This in turn will help boost *the market for chips,* transducers and transmitters from $443m (£246m) in 1990 to nearly $1.7bn by 1996.

The largest segment of that *will be in the automotive* industry, followed by industrial machinery and biomedical applications.

Composites cut weight of tools

THE $1bn (£560m) industrial power tool market is not one that usually smacks of high technology. But a New York company, Chicago Pneumatic, has introduced an impact wrench which uses the latest composite materials.

The *CP-747 has an engineered composite housing,* based on a resin from GE Plastics. The material is a combination of nylon and glass fibres suspended in a polyphenalic oxide, similar to that used in the "stealth" aircraft, and reduces the weight of the tool by about 20 per cent over those with *aluminium housings.*

A second advantage of the housing is that it insulates the mechanics' hands from the very cold feel produced by the compressed air, which is used to power the tool.

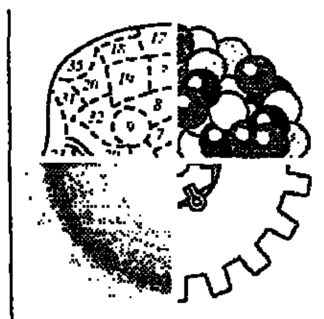
Tempo speeds up smaller payments

MIDLAND has launched an electronic payments service for customers sending or collecting substantial volumes *of regular low value-international payments,* writes David Barchard.

Tempo will provide international transfers and direct debits for corporate customers and correspondent banking customers.

The outward transfer service allows payments to be made to 18 countries, with *more to be added in the* future. The service is designed to appeal to companies who make regular payments to pensioners, shareholders, or employees.

The international direct debit service will allow funds to be collected from 14 overseas countries in a similar fashion to UK direct debits. *Cheque collection and inward* transfer costs will be eliminated. Payment instruction from customers can be sent either through Bacs, the bulk automated clearing system, or directly on tape or diskette.



WORTH WATCHING

by Della Bradshaw

DNA helps clean up after a spill

HOW can you tell conclusively after an oil spill who is responsible for cleaning up the mess?

The answer could be a marker system, under development in Cardiff. A single five-gallon drum of the additive, which binds itself to the oil, is enough to mark a *250,000 tonne consignment* of oil. The additive does not impair the oil's effectiveness as it is destroyed by heat during the refining process.

The biological marker comprises coded DNA molecules which bind to the oil. The coded DNA cannot be tampered with and can only be decoded by the suppliers, *Minton Treharne & Davies,* to ensure security.

Irish engineers scoop US award

A TEAM of Irish aircraft engineers has won the coveted ozone protection award from the US Environmental Protection Agency for a machine which recycles the potent halon gases contained in and fire extinguishers.

Halon 1301, used in extinguishers sited in sensitive areas such as computer rooms oilfields and on airliners, is particularly damaging to the ozone layer and is expensive. But until now it is difficult to recycle the gas. Team Aer Lingus's "Hal" machine promises a recovery rate of over 99 per cent.

To begin with the extinguisher is connected to a high pressure hose to Hal, and the computerised system pumps out the gases into a holding cylinder. The extinguisher is then checked to ensure it is working correctly.

To re-fill the cylinder it is connected to a second pressure hose and the computer automatically fills it to the correct level.

BT keeps an eye on the future

TELEVISION and computer screens are based on technology developed in the 1930s, while the innovative virtual reality screens rely on bulky helmets to achieve their visual effects.

To overcome the problems of both of these displays, the *Martlesham Heath research* laboratories of BT, formerly British Telecom, have come up with the concept of an active contact lens.

The lens could display information on a tiny integrated circuit embedded in the lens. Researchers envisage the lenses could eventually help surgeons carry out *more specific microsurgery* or engineers carry out safer maintenance.

It could even receive radio signals so could be used instead of a radio pager – or even to transmit data on a falling share price during business negotiations.

The only drawback is that the lithographic technology *needed to write on the chip* is not yet sophisticated enough.

Current techniques produce lines which are one micron – *a millionth of a metre* – wide. To produce the active contact lens these lines would have to be just one tenth the width.

Contacts: Frost & Sullivan International: US, 212 233 1080. Chicago Pneumatic: US, 315 792 2600. Midland Bank: UK, 071 260 5466. Minton, Treharne & Davies: UK, 0222 540000. Team Aer Lingus: Ireland 1 370 011. BT: UK, 0473 643210

FT LAW REPORTS

Bank must return security leases

DEUTSCHE BANK AG v IBRAHIM AND OTHERS
Chancery Division:
Mr D.E. Neuberger QC sitting as a deputy High Court judge:
December 3 1991

THE DEPOSIT of title deeds with a bank by a property-owner as security for a customer's overdraft liability, is in effect a guarantee of that *liability to the extent of the* value of the property, and must therefore be supported by a written document signed by the property-owner in accordance with the Statute of Frauds.

Mr D.E. Neuberger QC, sitting as a deputy Chancery judge, so held when dismissing a claim by the plaintiff, Deutsche Bank AG, for a declaration that it had valid equitable mortgages of two leases vested in the second and third defendants, *daughters of the first* defendant, Mr Datuk Mohamed Ariff Haji Ibrahim, as security for his overdraft. The daughters *succeeded on their counterclaim* for delivery up of the leases.

HIS LORDSHIP said that Mr Ibrahim opened an account with the bank in October 1983.

In March 1984 he was permitted an overdraft facility of S$773,000 (Singapore dollars).

That overdraft was secured partly by a deposit of shares, and partly by guarantee.

The overdraft increased to S$812,000. It was not repaid.

On August 12 1985 Mr Ibrahim requested an extension of his overdraft facility. The bank indicated that might be acceptable if further security were provided. Mr Ibrahim said he could make available the title *deeds to two flats in London*.

On August 15 he confirmed the offer to deposit the title deeds to Flats 1 and 2, Queensborough Terrace W2. The overdraft facility was extended until October.

The title deeds were handed to the bank on November 13 by a business associate of Mr Ibrahim.

Neither of the leases was granted to or registered in the name of Mr Ibrahim. The tenants and registered leasehold proprietors of the flats were his two daughters.

The bank attempted to contact the daughters, seeking their confirmation that they authorised deposit of the deeds, but the letters were never answered.

The shares which Mr Ibrahim had deposited as security were sold by the bank and the proceeds used to reduce his overdraft. The guarantee proved useless. The bank had *no further security for Mr Ibrahim's* liability save, possibly, the two leases.

The bank obtained judgment for S$766,709 in the High Court of Malaysia on May 22 1987. As the sum was not paid, the bank issued a bankruptcy petition against Mr Ibrahim in Malaysia. *Paragraph 3 of the petition* said the bank "does not ... hold any security on the debtor's estate ... for payment of the said sum".

In the present proceedings the bank claimed a declaration that it had valid equitable mortgages of the two leases. The daughters counterclaimed for delivery up of the leases.

The flats were marketed at about £50,000. On the evidence *the court found* that the purchase monies for the two *leases were provided in their* entirety by Mr Ibrahim.

The first issue was whether the bank was precluded from *contending that the two leases* were security for Mr Ibrahim's liability, in view of the bankruptcy proceedings.

Section 5(2) of the Malaysian Bankruptcy Act 1967 provided that if a petitioning creditor was secured "he must in his petition state that he is willing to give up his security for the benefit of creditors ..."

Mr Lambert for the daughters argued, first, that on a true construction of the petition the bank was stating it was willing to give up security for the benefit of creditors; and in the alternative that by presenting the petition in the terms that it did, it was estopped from alleging it did have security.

The arguments were rejected. First, paragraph 3 of the petition could not sensibly be read as saying that the bank was prepared to give up security. Its ordinary and natural meaning was that it had no security. Second, the mere issue of the bankruptcy petition in the terms of the present petition, *could not operate as an election*. If the day after the petition was served the bank had appreciated its oversight and amended it to take the security into account, it was inconceivable that it would be prevented from doing so.

The second issue was whether the beneficial interests in the two leases was *vested* in Mr Ibrahim, as the bank argued, or in the two daughters.

Mr Lambert argued that even if Mr Ibrahim provided the purchase money for acquisition of the two leases, the presumption of advancement led to the conclusion that they were not held on trust for him, but were beneficially vested in his daughters in whose names they were acquired.

The basic proposition was summarised in *Snell's Equity (29th ed)179*: "If a father buys property and has it put in the name of his son or daughter, *prima facie* it is a gift to the child".

The presumption "should not give way to slight circumstances" (*Shephard v Cartwright [1955] AC 431, 445*.

If the bank wished to rely on any actions or statements on Mr Ibrahim's part to negative the presumption of advancement, it was clear from authority that it could only rely on acts or statements contemporaneous with the vesting of the leases in his daughters. Claiming through Mr Ibrahim, it would not be open to the bank to rely on acts or statements subsequent to the vesting of the leases.

Initially Mr Ibrahim intended to have the leases granted to himself, but subsequently changed his mind and had them granted to his daughters. The leases were completed on January 17 1985 and the daughters were registered as proprietors on June 10.

The first time Mr Ibrahim did anything which could be construed as treating the leases as his own was in his conversation with the bank on August 12.

Even if the well-established principle *that a later statement* could not rebut the presumption of advancement had not applied, Mr Ibrahim's statement to the bank, bearing in mind their relationship, was not sufficient to rebut the presumption.

The third issue was whether deposit of the leases with the bank on November 13 was *authorised by the daughters*.

The evidence was slender, but the conclusion was that they did authorise the deposit of their title deeds with the bank to secure their father's loan.

In those circumstances, subject to the fourth issue, the bank's claim would succeed.

The fourth issue was whether the daughters could defeat the claim by relying on the absence of any written memorandum sufficient to satisfy section 4 of the Statute of Frauds 1677.

Mr Lambert argued that they could. He based his contention on the principle that where a third party pledged property with the creditor for the purpose of providing security for the debtor's liability, the third party was a *guarantor* or surety.

That argument was right.

Section 4 provided that no action should be brought "upon any special promise to answer for the debt default or miscarriage of another" unless the agreement on which the action was brought, or some memorandum or note of that agreement, was in writing and signed by the party to be charged with the promise.

It was argued that as a matter of normal language, the *depositing of property* with a creditor by a third party to secure the debtor's liability was not a "promise to answer for the debt default or miscarriage".

Against that, the provision of security worth £100,000 by a third party in favour of a creditor who was owed £300,000 was no different in practice from a promise by the third party to answer for the debtor's liability to the extent of £100,000.

It seemed arguable that the *former arrangement* was not within the natural meaning of the words of section 4, whereas the latter was.

It would be wrong to hold that the deposit of title deeds by the daughters did not fall within section 4.

That conclusion was reinforced by the policy of section 4. Its purpose was to protect a person against an allegation that he had guaranteed *another's liability*. *Parliament* thought it right that the court should have evidence in the form of a written document signed by the party to be charged should it be required.

The bank's claim against the daughters failed. Their counterclaim for return of the leases was allowed.

For the bank: Guy Featherstonaugh (Clifford Chance

For the daughters: John Lambert (Stunt Palmer & Robinson)

Rachel Davies
Barrister

Henze's Requiem

QUEEN ELIZABETH HALL

The London Sinfonietta closed its 65th birthday celebration for Hans Werner Henze on Wednesday with the composer's own tribute to the Sinfonietta's late artistic director Michael Vyner.

The instrumental Requiem that Henze is dedicating to Vyner's memory is appearing piecemeal: the Introitus was premiered at a memorial concert in May last year, the Agnus Dei appeared in the BBC's Henze Festival in January, and three more movements – a Dies Irae, Ave Verum and Lux Aeterna – were added for this performance.

Henze's scheme follows the plan of the liturgical *Missa pro defunctis*. When the work is complete next year it will consist of nine movements, and promises to be the most substantial of all his purely instrumental works; the music already composed plays for 40 minutes, and each successive movement seems to gain in weight, depth and duration.

The use of a solo pianist (Paul Crossley), provides a change of perspective and focus in the musical argument; as the work progresses its role seems to have evolved, from contributor of introspective, lapidary solos in the Introitus and Agnus Dei (*where it is accompanied* only by the 11 strings) to more forthright reinforcement for the music's rhetoric in the newest movements. Henze's orchestration, steeped in the sonorities of Second Viennese School romanticism, gets steadily more dense too.

Henze is such an unpredictable, uneven composer that such a major project as the Requiem might be expected to vary wildly in its level of achievement. Yet the striking characteristic of what's available so far is the sustained quality of the music. One might despair of getting to grips with Henze's harmony – he seems more and more to be a linear composer, who thinks in melodic lines and creates his harmony almost as a by product – but the serious undertow of the project and its vivid ideas already make their mark.

The movements vary in their scale and function: the Introitus is preparatory, the Agnus Dei and Ave Verum devotional; the Dies Irae is a late 20th-century sibling of the corresponding movements in Verdi and Britten. The Lux Aeterna is the strangest of all, by no means at peace with itself, but brooding and troubled, as if preparing for an impending catastrophe.

In the Requiem there is little yet of the freely lyrical side of Henze, the composer exploiting his gifts as an untrammelled melodist. Perhaps that is to come. In the Sinfonietta programme, which Henze conducted, that facet of his creative personality was represented in the Mörike-inspired pieces for guitar and ensemble from 1986, *An eine Aeolsharfe*, while the featureless, note-spinning Henze appeared in the 1977 orchestral fantasia *Aria de la Folia espanola*. But the uncluttered severity of the Requiem, and the absolute concentration of its performance, was the abiding image.

Andrew Clements

The draughtman's contract

It's all in the drawing, says **Patricia Morison**

In the Renaissance, one of the hot topics of intellectual speculation was the language Adam spoke in the Garden of Eden. King James IV of Scotland had two orphaned babies and a dumb nursemaid sent to an uninhabited Scottish island, and waited to discover whether they would talk Hebrew.

The king's experiment came to mind this week at the *The Primacy of Drawing* at the City Art Gallery and Museum in Stoke on Trent. This is a large and absorbing exhibition of 150 drawings by artists who range from Dürer and Fra Bartolommeo, to Rembrandt, Canaletto, Bomberg and Baselitz. It is the artist Deanna Petherbridge's testament of faith. Whatever Adam *spoke*, had he been an artist he would have squatted on the sands of Eden and *drawn*.

The Primacy of Drawing is a travelling exhibition organised by the South Bank Centre. It caused a stir in Bristol, continues at Stoke until January 5 (closed December 25-January 1) and then moves to the Graves Art Gallery in Sheffield (January 11-February 23). Even if it means fitting snow-chains, do make the effort to see this exhibition which is quite the most original I have seen all year.

Deanna Petherbridge is an artist who works principally through the medium of drawing, and is also a teacher and something of a polemicist. Her choice of artists may seem weirdly eclectic, but it is immediately obvious that this is not a draughtsman's version of *Desert Island Discs*. Petherbridge's catalogue is a fascinating, passionately argued essay exhorting us to value drawing properly. This means understanding the great variety of purposes for which artists draw, and appreciating the common language they acquire though their knowledge of the different mediums.

Contrary to what we non-practitioners may read, drawing is as primary to what artists do today as it ever was. Quite as much as his or her forbears, the wise artist appreciates the advice of the 15th-century theorist Cennini: "Do not fail ... to draw something every day, for no matter how little it is it will be well worth while, and will do you a world of good." By mixing Old Master drawings promiscuously with those by modern and contemporary artists, Petherbridge attacks the notion that drawing in the 20th-century is freer, or somwhow different.

Art-historians are the problem, she says, because they generally rank drawing hierarchically below paintings and are happiest when they can match sketches to finished works and cry "Eureka!" Why think in terms of an end-product, whether painting or prints or sculpture? So at Stoke on Trent, you will find art-history stood on its head. Drawings hang together without any regard for schools, or periods, or even how "important" the artist may be. A sheet of sketches by an anonymous 19th-century Indian court painter earns its place as much as works by masters of drawing such as Rembrandt or Watteau.

Order comes from "a loose typology of line", which sounds a little austere but is actually not in the least hard to follow. For example, there is the category of "the sinuous line". A woman's face is built up by Emilio Greco out of a swirl of pen-strokes, echoing the way the 17th-century artist Elisabetta Sirani built up her image of a star-crowned Virgin. (Petherbridge has done her best to pick up Old Mistresses.)

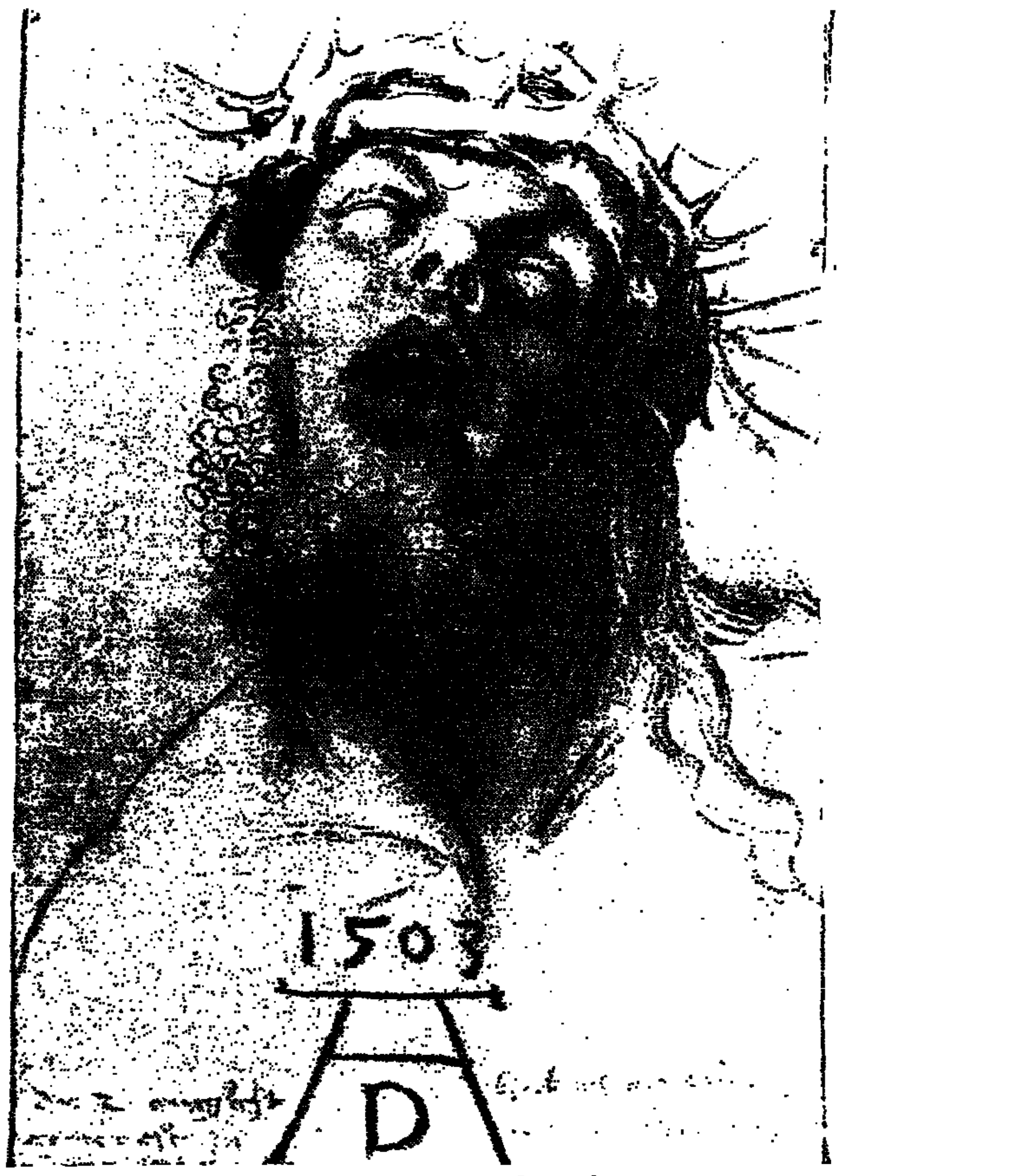
Then there is "the rhythmic line" category, at which Sirani's contemporary, Guercino, so excelled. A flurry of incisive pen-marks creates two trees so completely different in character, the one shaggy and the other gnarled, that we realise in a flash that without that difference his scene on a riverbank would lose all its spark.

Many drawings could float from one category into another. Picasso's goat-skull uses boldly rhythmic lines to build up the image, and they also belong to the category of "expressive lines", like the extraordinary Gilray portrait-sketch, done when the artist was temporarily insane. Picasso's lines are jagged and spidery, suggesting the actual marks some primitive instrument might have scratched into the dead whiteness of bone. Here, however, we see it contrasted to an amazingly free oil-sketch of an old man by Tiepolo. Both of them are so bold, and both affect us with the the energy of white bursting against a cloud of black.

Pen and wash is hailed as the "mystic marriage" which allows artists to explore subtleties that mere paint cannot manage half so well. It lets Zuccaro bring moonlight flooding into the room where he has his elder brother half-crouching before the window, tense with effort as he works though the night on painting his own nocturnal landscape. For Tiepolo, the "mystic marriage" allowed him the virtuoso trick of sketching a farm-building and leaving the space around white so that it becomes blistering sky of the Italian countryside at midday.

Because drawing is a universal language, strange consonances will emerge. A Renaissance artist like Luca Cambiaso, working out how to arrange the figures in a crucifixion, uses a strikingly Cubist way of ordering the scene, which echoes an actually Cubist artist like William Roberts in his "Return of Ulysses", or Bomberg in his scene of sappers at work.

But these strange parallels are not, in the end, the most remarkable thing about *The Primacy of Drawing*. Its triumph is to make us look intently at the drawings, to ask questions and even, perhaps, start to see things as an artist might. Why did Salvator Rosa produce that immaculate little study of a man hanging by the wrists? Was it the chilling subject which attracted him, or the shape of the body swinging in space? How should one deal with the torso of a woman if, like Fuseli, you want to show a small satyr planting a kiss from behind, or if like Tiepolo, you have to balance her convincingly against the centaur abducting her? I am sure that others, too, will leave this exhibition with a New Year's resolution made; to find a drawingmaster – or mistress – and take the first steps towards acquiring the primal language of drawing.



'Head of the Dead Christ' by Albrecht Dürer; charcoal on paper

Drama in Germany: fear underlined with farce

Jackie Wullschlager reviews the theatre scene after the fall of the Berlin Wall

What went wrong? The question has animated German drama for half a century: since Brecht wrote his skit on Hitler, *The Resistable Rise of Arturo Ui*, in 1941, German dramatists have never stopped looking back. Works like Thomas Bernhard's "Heldenplatz", provocatively comparing Nazi and contemporary Vienna, George Tabori's *Mein Kampf*, and *From Today You Will Be Called Sarah (Ab Heute Heisst Du Sarah*, referring to Hitler's edict that all Jewish men be called Israel and all women Sarah) have become modern classics within a genre of retrospection unique to the German-speaking theatre.

The two star new plays of 1991, Joachim Burckhardt's *Potsdam*, which premiered at Stuttgart's Staatstheater last weekend, and Klaus Pohl's *Karate Billy Comes Back*, currently packing houses across Germany and opening in Heidelberg on Saturday, at once epitomise the trend and mark a new twist in the genre. Both are hard-hitting works which bring the historical perspective up to the present, confronting for the first time in the theatre the difficulties, confusions and recriminations which have followed the ending of the German Democratic Republic: Burckhardt through historical metaphor, Pohl through gritty realism.

Burckhardt's play is set, at the time of the 1945 conference, in a Potsdam villa where Nazis and communists, refugees and natives, academics, artists and workers have beached up at the end of the war. Scarred by terror and loss, they sniff round each other with absolute lack of trust, nervous, jumping, starting, shaking at every knock, footstep or change in light. When American and Russian soldiers burst in, their responses are berserk, desperate; trying to make peace, the soldiers turn fear to comic misunderstanding. Russian officers, arms lined to the elbow with the stolen wristwatches they had never seen before, loot dancing shoes and demand a party; Americans kitted out in hidden Nazi uniforms engage in a mocking danse macabre.

Director Jurgen Bosse's skill is to underline fear even in moments of high farce, building up an almost painful tension as we wait through the uneasy feast for reprisal and revenge. Individual vulnerabilities and secrets emerge – the pianist (Bettina Franke) witnessed a rape by Russians and cannot play in front of the soldiers; the American Jew (Peter Ruhring) recognises the Nazi, a steely blond villain played by Zacharias Preen, from Dachau – to explain chaotic responses; comic turns are rooted in tragic pasts. It is at once a caricature of the meeting of nations at the Potsdam Conference, where Germany was divided up between the Allies, and a metaphor for its legacy: the current confusion between East and West Germans. For each, suggests Burckhardt, the way into the new history is determined and limited, like those of the characters in *Potsdam*, by their different pasts.

Burckhardt comes from the east of Germany but *Potsdam* was significantly premiered in the west. In Klaus Pohl's *Karate Billy Comes Home*, a DDR athlete returns from a psychiatric clinic to confront the mayor, doctor and pastor who put him there. Stasi secrets take the place of Nazi secrets; as before, everyone tries to dissociate himself from the old regime. "It's nothing to do with us, we had nothing to do with the filth", screams the mayor's wife in the final loud lie.

I reviewed Pohl's own magnificent production of the play in Hamburg in the summer; since then it has become the instant classic of the 1991-92 season, snapped up by ten theatres across Germany. But only one of them, Berlin's Deutsches Theater, is in the former DDR, and the other play with an east German theme this season, Lutz Rathenow's *Battle of the Authors*, about the settling of accounts between DDR poets, some courted by the Communists, others disdained, is also scheduled for production only in the west: it premieres in Saarbrucken early next year. Are theatres in eastern Germany terrified of putting such firecrackers on the stage, or does their popularity smack of ghoulish fascination among the Wessies?

No one can deny the cultural importance, to a nation obsessed with serious and politically relevant drama, of a play like *Karate Billy*, shown so widely that it is acquiring almost the currency of a television programme. The irony is that for decades the theatre had just that currency in the former DDR, fulfilling what used to be known as a "substitute function" (*Ersatzfunktion*) in giving what the propagandist media could not give: an expression of the everyday situation, an insight into real life. Theatres were full every night: "It doesn't matter what the play was, as long as the sentence 'I want to get out of here' was said, there was applause", said Thomas Langhoff, new director of Berlin's Deutsches Theater, the old National Theatre of the east.

Now audiences have diminished: 80 per cent of Langhoff's theatregoers come from west Berlin and in a city such as Cottbus, whose communist-built theatre is dedicated "To German Art", and which always enjoyed full houses, attendance is down to 50-60 per cent. Ticket prices have risen, the punters have other concerns, the place of the theatre in the new culture is uncertain. The former DDR used to be proud of its audiences: now "the banana has triumphed", goes the wail, referring to the first consumer fad when the wall came down two years ago.

Brecht would have hated it. The fate of his Berliner Ensemble, without a permanent director since the sacking of its communist *intendant* in May, hangs in the balance. But if the latest plans to appoint a five-man directorate of some of the great old radicals of European theatre (including Peter Zadek, Peter Palitzsch, dramatist Heiner Muller) go ahead, the Ensemble will become one of the hottest theatres on the continent, combining with Langhoff's Deutsches Theater, voted Theatre of the Year in the annual "critic's competition", to make east Berlin the driving force in German drama.

This continues a trend running through post-war theatre: the return of actors and dramatists persecuted by Hitler to the DDR, largely because of Brecht, meant that it was drama in the east which first confronted Germany's fascist past, spreading via DDR producers working in the west across the rest of Germany. Directors like Langhoff regard this as a critical contribution of DDR culture to German theatre.

That influence is still a mainspring for new plays. This year, unification has intensified the exploration of modern German history: among new works in the 1991-92 season are *Goebbels*opening next year in Heidelberg, *The Artist at the Moment of his Fall*, about two actors trying to play a couple persecuted by the Nazis, at Kassel, and several plays centred on the Jew as outsider in German society: Hans Sahl's *Rubinstein*, about Wagner and fascism, and *Requiem for Paul Levi* at Tubingen; Tabori's *Nathan's Death*, a contemporary reworking of Lessing, opening in Munich this weekend. The new phase of retrospection, plays like *Potsdam* or *Karate Billy*, which follow on from this pattern of self-examination, should soon travel the other way, from west to east, continuing a now established tradition: in the midst of German success and euphoria and economic militance, the playwrights sound notes of warning and tragedy.

Icebreaker

QUEEN ELIZABETH HALL

Can repetitive music not be boring? Is New Music like Very Old Music? "Hoketus", Icebreaker's first piece attempts to achieve a dancing machine humaine, according to its composer Louis Andriessen. With its endlessly repeating chords and tones flashing around the 12-piece ensemble, it also recalls medieval music, or as he says, pan pipe groups in Peru and Bolivia.

It is thoroughly modern in its minimalism and high volume, however: an intense rhythm workshop which replaces drums and percussion with saxophones, pan pipes, electric bass and, most importantly, four unremitting keyboards beating out the same message. Depending on your taste in these matters, it is the sort of music which either goes on too long or not long enough. And that depends on the person calling the changes, since "the number of repetitions per bar or per group of bars is unrestricted". We were (un)lucky on this night, organised as part of the Rolling Rock-sponsored Contemporary Music Network season, "Hoketus" being pulled up after only 20 minutes.

Icebreaker is captained by musical director John Godfrey, one-time resident conductor of the York Symphony Orchestra, and composer of works such as "String Quartet" for wind quintet and "The Great Chicken of Kiev" for the YSO. He succeeds in giving a music which might otherwise be oppressive and hardgoing, a little wit and lift.

The result is that some of Icebreaker's 12 pieces occasionally crash through the packed rhythms with a groaning bass clarinet or squealing soprano sax. At other times an accordian waltzes across the programmed block chords of keyboards, only to dissolve as pan pipes form an eery chorus to replace it. The group members smirk at each other when this happens and some brave souls in the auditorium even shout non-new encouragement – like "yeah!".

Godfrey's own composition "Euthanasia and Garden Implements" is less dependent on the rhythm method in its conception and, even with wind instruments used strictly and percussively, is pleasantly confused. Flute and clarinet make brief utterances above the stamping din, the accordian drifts into earshot again and it has what approaches an alto sax solo towards the end.

Michael Torke's "Vanada", "a piano concerto of sorts", according to Godfrey, is a crafty piece which combines the hi-tech sounds of an electric recorder and the sensible sound of clarinet. Rescored on this occasion to use less synthesised noise and more instruments, "Vanada" is apparently akin to a golden oldie among New Music fans (it was written in 1984). Its flinty keyboard textures, relieved by chiming vibraphone and even an old fashioned snare drum, bordered on the unrestrained and exciting. Were New Music not so unsure about its place in the musical scheme of things, an encore would have been in order.

Garry Booth

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Several of Europe's lyric theatres have taken advantage of the Christmas season to indulge in some welcome *light relief*. That includes Geneva's Grand Théâtre with a new production of Die Fledermaus and the Opéra Comique in Paris with a musical revue starring the doyen of French baritones, Gabriel Bacquier.

The Strauss production, opening tonight and running till Dec 31, is staged by Jérôme Savary, responsible for a string of Christmas operetta successes in Geneva. The Opéra Comique show L'as-tu revue?, which *opened this week and runs* almost daily till Dec 31, is a review-revue of the light musical stage in the 1920s, devised by Jean-Michel Damase.

Christmas in Brussels this year means the return of Mark Morris, whose Dance *Group polarised* opinion at the Monnaie during its residency there. Morris has been asked back to revive The Hard Nut, his version of The Nutcracker, and to try his hand at opera production - in Le nozze di Figaro, *which opens tonight* with a cast led by Jose van Dam as Figaro, conducted by Sylvain Cambreling. The final performance on Dec 31 marks Gerard Mortier's farewell to the Monnaie.

The Hamburg State Opera is treating itself to a German-language production of *Leonard Bernstein's musical On* the Town, while the Alte Oper in Frankfurt has alighted on the Andrew Lloyd Webber/Tim Rice musical Jesus Christ Superstar (opening next Friday).

London's Christmas entertainment includes The Snow Queen, a stage adaptation of the Hans Christian Anderson fairy tale (Young Vic), Jack and the Beanstalk, a pantomime starring Cilla Black (Piccadilly Theatre), and the English National Ballet's production of The Nutcracker *choreographed by Ben Stevenson* (opening on Dec 23 at the Festival Hall). Sadler's Wells hosts London City Ballet's production of Swan Lake during the Christmas period (Dec 17 to 31, with Romeo and Juliet on Jan 2, 3 and 4), followed *by a new musical play based on* Charles Dickens' novel A Christmas Carol.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Rembrandt: a major exhibition bringing together paintings from museums in Berlin, Amsterdam and London, including Jeremiah Lamenting over the Destruction of Jerusalem, A Woman Bathing and *two self* portraits. The exhibition capitalises on the latest developments in Rembrandt research and attribution. Ends March 1. *A companion exhibition* of 40 drawings by Rembrandt and his pupils, with 40 etchings, ends on Jan 19. Closed Mon

Stedelijk Museum Wanderlieder: A Journey through the New Europe. Eleven artists give their *pictorial response to the sweeping* political changes in Europe and the new socio-cultural perspectives which have opened up for the visual arts. Ends Feb 9. Daily

Van Gogh Museum Edgar Degas: Sculpture. Ends Feb 23. Also L'Estampe Originale: artistic print-making in France 1893-1895. Ends Jan 26. Closed Mon

BARCELONA

Fundacio Joan Miro Aiko Miyawaki and Frank Gehry. The Japanese sculptress, author of a sculptural *group in the gardens of the Palau* Sant Jordi in Barcelona, presents her recent Utsuroshi series of steel wire sculptures, together with a selection of paintings and sculptures produced before 1980. The exhibition of work by the *American architect* Frank Gehry (b1929) includes 26 projects illustrated by models, drawings and photographs, the most notable of which are the Walt Disney Concert Hall and the Olympic Village in Barcelona. Ends Feb 2. *Closed Mon*

BERLIN

Nationalgalerie Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism *of his portraits, brothel scenes*, and visions of war. Ends Feb 4. Closed Mon and Tues

Pergamonmuseum Miniatures of the Berlin Baisonqur *Manuscript: Illuminated pages* dating from 1420, commissioned by the family of the Afghan Prince Baisonqur. Ends Jan 19. Closed Mon and Tues

DRESDEN

Albertinum Otto Dix: Dresden's *rich collection of drawings*, ranging from 1912 to the postwar period, most of them given by the artist to his home city in 1969. Ends Feb 16. *Also Venetian* Masters of the 18th century, including Canaletto's spectacular paintings of Dresden and its environs. Ends Aug 23. Closed Mon

FLORENCE

Palazzo Pitti Caravaggio: Birth of a Masterpiece. The exhibition includes important foreign loans of Caravaggio paintings, including *the Kimbell Museum* Card-sharpers, never previously exhibited in Europe, and Crowning with Thorns, from Vienna. Ends May 17

Palazzo Strozzi Gustav Klimt. Ends March 6

Palazzo Vecchio British figurative arts. Ends Feb 16

FRANKFURT

Schirn Kunsthalle Guercino: an exhibition of more than 60 paintings and 80 drawings, marking the 400th anniversary *of the birth of one of the finest* 17th century Italian painters. Ends Feb 9. Closed Mon

THE HAGUE

Mauritshuis Bredius, Rembrandt and the Mauritshuis: an exhibition honouring the Mauritshuis' curator *from 1889 to 1909, who was a* pioneering expert on Rembrandt and who bequeathed his own paintings to the museum. Ends March 1. Closed Mon

LONDON

Tate Gallery A major painting by Francis Bacon (b1909), Second Version of Triptych 1944, has been presented to the Tate by the artist. The painting, made in 1988, is the first to be acquired by the *gallery* since 1980, and is included in a room which offers visitors the chance to study the development of Bacon's work *since 1944. Ends Jan 12. Also* Giorgio Morandi (1890-1964): 48 etchings by one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (b1932): first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Also Turner's Rivers *of Europe. Ends Jan 26*. Daily

National Gallery Paula Rego: Tales from the National Gallery. The exhibition, comprising six acrylic paintings and more than 30 small works on paper, stems from Rego's time as the museum's first associate artist in 1990. Ends March 1. Also The Queen's Pictures. Ends Jan 19. Daily

Royal Academy Katsushika *Hokusai (1760-1849): sketches*, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9. Daily

Hayward Gallery Toulouse-Lautrec. Ends Jan 19. Daily

MILAN

Palazzo Reale *Hidden treasures from the Brera*, focusing on Lombard artists of the 16th and 17th centuries, including the Campi brothers, Daniele Crespi, *Cerano and Ambrogio* Bergognone. Ends Jan 19. Daily

NEW YORK

Brooklyn Museum Biomorphicism and Organic Abstraction in 20th century Decorative Arts: 40 decorative objects from the permanent collection that share *inspiration from organic forms*, including furniture, ceramics, metal, plastics and stone. Ends March 29. Closed Mon and Tues

Metropolitan Museum of Art French Architectural and Ornament Drawings of the 18th century: 130 items, mainly decorative drawings and watercolours for candelabra, clocks, furniture, carpets and hotel facades. Ends March 15. Also Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years. *Ends Feb 16. Also a major Seurat* exhibition and another devoted to his Neo-Impressionist followers. Ends Jan 12. Closed Mon

PARIS

Centre Pompidou Max Ernst *retrospective, with 250 collages*, paintings and drawings showing the great Surrealist painter revelling in the Unconscious. Ends Jan 27. Closed Tues

Musée des Arts de la Mode Elegance and Fashion in 18th *century France: sumptuous* materials and dazzling craftsmanship characterise the 80 exhibits from French Regency to the Revolution. Ends March 31. Closed Mon and Tues (107 rue de Rivoli)

Musée d'Art Moderne de la Ville *de Paris Alberto Giacometti* (1901-66): exhibition of work by the Swiss sculptor and painter. Ends March 15. Closed Mon (11 ave President Wilson)

Grand Palais From Watteau to David: 70 works from the school of 18th century painting. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Géricault: retrospective marking the 200th *anniversary of the artist's birth*. Ends Jan 6. Closed Tues, late closing Wed

Louvre Three exhibitions of German art from the Gothic to the Renaissance, showing the homogeneity of sculptures, engravings and drawings of the period. Ends Jan 20. Closed Tues (Hall Napoleon and Pavillon de Flore)

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focusing on his early *years. Ends Jan 20. Closed Tues*

WASHINGTON

National Portrait Gallery Time covers the War, an exhibition commemorating the 50th *anniversary of the Japanese attack* on Pearl Harbour. Ends May 17. Daily

National Gallery of Art Walker Evans: classic documentation of American life during the Depression, including New York *subway photographs*. Ends March 1. Albert Bierstadt: a restrospective of the work of the epic 19th century American landscape painter. Ends Feb 17. Circa 1492: Art in the Age of Exploration. Ends Jan 12. Daily

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday December 13 1991

A future for IBM

How are the mighty fallen! Parallels immediately come to mind between the plight of International Business Machines, the world's largest computer manufacturer, and the fate of the dinosaurs.

The dinosaurs, the most successful of land animals, died out abruptly and mysteriously. Some argue that their environment turned suddenly hostile; others that small agile mammals destroyed their eggs. IBM, the tyrannosaurus rex of the computer industry, is caught in just this position, under attack from smaller competitors in a hostile environment.

Big Blue has a distinctive history, which colours the general lessons which could be drawn from its experience. Yet it has also been a model to which others have aspired. The pressures which in the past two years have forced IBM into ever more radical attempts to overhaul its organisation and culture should be a warning to executives and policy makers who admired the company's huge scale, orderly organisation and employment culture.

IBM has been hit by the surge in popularity of "open systems", which allow customers to integrate equipment made by a variety of manufacturers. This has fundamentally reshaped the computer business, reducing demand for manufacturers' proprietary systems which have traditionally commanded high profit margins.

A host of smaller, younger competitors have emerged in the US – Sun Microsystems is a prime example – which are better able to exploit this new environment. They have leaner, more entrepreneurial managements. These are often able to adapt technology more quickly and respond to customer needs more effectively than the IBM colossus.

Profit margins are falling as the cost of computer hardware declines rapidly. Advances in silicon chip technology and improved manufacturing techniques mean that prices of computers are falling by up to 40 per cent a year.

Disenchantment

These structural changes are taking place in the worst market the computer industry has ever experienced. The recession in the US and parts of Europe has curtailed corporate spending on information technology. More worrying for all computer manufacturers is a growing disenchantment among business leaders with glamorous computer systems, installed at vast cost but often yielding poor returns.

With revenues of $69.5bn, "Big Blue" is not in imminent danger of extinction. Many of its peers in the western computer industry, Unisys in the United States, Groupe Bull in France and Olivetti in Italy, are in worse straits.

In the past two weeks, however, Mr John Akers, IBM's chairman, has confirmed that the company has to go through a rapid and far-reaching transformation of its monolithic corporate culture and hierarchical organisation if it is to stay at the forefront of the industry. In the process some IBM shibboleths, which are much admired elsewhere, will be jettisoned.

Redundancies

It has to cut overheads to boost flagging profitability. That means losing substantially more than the 60,000 people who have already left the company in the past five years through a variety of staff-reduction schemes. Mr Akers has said this could involve compulsory redundancies for the first time in the company's history.

In the past IBM almost prided itself on being self contained. Now it has to open itself up to customers – to whom it used to dictate – and to form alliances with other companies, particularly software producers. The strictly ordered hierarchies of the past have to give way to more decentralisation, flexibility and entrepreneurialism.

Mr Akers's latest changes include the creation of subsidiaries in specific markets – personal computers, printers and data storage. The company could become a loose federation of autonomous business units. IBM has become a corpulent and complacent company. It badly needs a dose of contrition and zeal.

Two conclusions should be drawn from IBM's travails. Companies in industries like computers and electronics need great managerial flexibility to avoid being overtaken by the pace of change. The ability to develop relations with companies with complementary skills will be essential.

More important, however, is a wider lesson. Those policymakers, particularly in Europe, who are prone to believe that size is the key to success, must think again. The case of IBM demonstrates that the size of a company is a record of past triumphs rather than a guarantee of continued success. "Big Blue" was both feared and admired for the dominance it once enjoyed. But such lumbering giants can still be overtaken by the mobile army of small mammals.

Mr Heseltine's view of London

JUDGED by next Sunday's London Weekend Television lecture on "The Future of London", Mr Michael Heseltine deserves a job as London's official salesman when he retires from politics. Certainly, he does an incomparably better job of selling the city than of proposing improvements to it. Mr Heseltine mentions two new challenges: changes to the management of the parks, and vacation by government of Somerset House. These may be excellent notions, so far as they go. Set against London's current problems, they do not go very far.

Not that Mr Heseltine's speech gives many signs that he is aware of those problems. Take stock of London, he argues, not just as a European, but as a world city. Consider its significance as a financial centre, the safety of its citizens, its architectural heritage, the strength of the performing arts and the media, its green space and its international travel links. "Take any of these measures singly and London is second. But take them together and it is a resounding first."

Mr Heseltine is not wrong. Yet, as he says of London's imperial past, this "is what others have created". What has been done for London lately?

Penny pinching

The answer is: very little. The lives of London's citizens have been getting less safe. Recent contributions to London's architectural heritage have, with a few exceptions, been dismal. The quality of the performing arts represents a triumph of tradition and talent over governmental penny-pinching. London's green spaces have changed over the past decade largely in the quantity of litter that adorns them. The transport infrastructure creaks with the legacy of disrepair, underinvestment and poor management.

Mr Heseltine needs to offer a vision of how London will get better. He fails to do so.

On the government of London Mr Heseltine offers virtually nothing, except his party's profound – and, to a degree, understandable – suspicion of "the imperial grip of Town Halls". He is sceptical, for example, whether "the shuffling of public sector responsibilities or the transfer of responsibilities from one organisation to another would actually improve the quality of public services".

Scepticism

The scepticism is understandable, but it also misses the point. Grant that there will never be a perfect structure of government for London. Grant that much needs to be done, apart from strengthening local government. Grant, too, that central government will never give a government of London a free rein. Nevertheless, like any other major city, London needs a voice that is neither the government's stentorian boom nor the pipings of its castrated boroughs.

Turn, then, to the infrastructure. Some effort is being made to remedy years of neglect. But no coherent vision of London's transport exists. Scepticism must be expressed about whether privatising bits of the railways will do much to eliminate the miseries of Network SouthEast. There is still no fast rail link from the centre of London to Heathrow. The East-West Crossrail scheme is a gleam in the planner's eye. And the Channel Tunnel Link, a centrepiece of Mr Heseltine's new "East Thames Corridor", is not so much a "challenge for the next decade" as still a dream.

Mr Heseltine loves London. Mr Heseltine also hopes for a better London. What Mr Heseltine lacks is precise ideas on how the deteriorating London of today is to turn into his glorious London of tomorrow. That is the challenge. It is one that has still to be met.

Kevin Brown on Bob Hawke's struggle for political survival

The magic wears off

A sad drama is being played out in Canberra this week as Mr Bob Hawke, Australia's Labor prime minister, tries to fight off an increasingly strong challenge to his leadership from Mr Paul Keating, his former deputy.

Mr Hawke would hate the comparison, but his political death struggle smacks strongly of the last days of Mrs Margaret Thatcher, the former British prime minister who ignored the signs of unrest until it was too late.

Like the Iron Lady, Mr Hawke has dominated his country for a decade. Like her, he is chauvinistic, charismatic, combative and self-confident. And like her, he has decided to fight to the end rather than opt for early retirement.

Yesterday, six of Mr Hawke's key cabinet supporters screwed up their courage and told him it was time to go. The deputation included Mr Kim Beazley, the finance minister, Senator Robert Ray, the defence minister, and Senator Gareth Evans, the foreign minister.

These were the men whose loyalty saved Mr Hawke in June, when he beat off Mr Keating by 66 votes to 44 in a formal ballot of the parliamentary party. They have dithered for months as the economy has worsened and the government's popularity has nose-dived. Now they think the prime minister ought to go for the good of the party, the country, and his own reputation.

Mr Hawke listened to them for two hours in the morning, then went off for lunch with Mr George Vassiliou, president of Cyprus, who is on a state visit. He even managed a joke, telling the Cypriot leader that the hordes of reporters and television crews were there because of Australians' intense interest in Cyprus. In the afternoon, Mr Hawke listened to the cabinet deputation for another half an hour. Then he sent them packing, refusing to countenance any of the options that had been put to him, including a face-saving plan for a change of leader after President George Bush visits Australia later this month.

Mr Beazley emerged to say that the prime minister had decided to lead the party into the next election, due by May 1993. He delivered his statement deadpan, possibly reflecting that Labor MPs and senators are deserting Mr Hawke at such a rate that he faces the near-certainty of a bloody *coup de grâce* in the coming weeks. There were no jokes from Mr Beazley, nor from the other conspirators. But in his office in the soaring new parliament building on Canberra's Capital Hill Mr Hawke was busy drawing up the barnstorming campaign he still believes can save the party and his job.

Australians have had a taste of what Mr Hawke has in store for them over the past week, as he has toured the shopping malls deploying his famous outback drawl in an effort to recapture the rapport with ordinary voters which once made his public appearances more like those of a pop star than a politician.

Frequently he asserts that he is the only Labor leader capable of winning the next election. Sometimes, he says he is the only leader capable of uniting Australians in a common cause. Once, he said he was the only Labor politician who had never made an error of judgment. Since the prime minister has won four consecutive elections since 1983, the message ought to reassure the party. Instead, it sounds increasingly like hubris.

There are solid achievements behind the Hawke government, especially in the early years after it came to office, when it began the long process of dismantling 80 years of regulation and protectionism which protected Australia from the outside world. The government largely deregulated the financial system, removed capital controls, floated the currency, and took an axe to many of the subsidies which propped up inefficient industries. Many said it was the best conservative government Australia had ever had.

But almost nothing has gone right for Mr Hawke since March last year, when he formed his fourth administration after narrowly defeating the opposition Liberal/National party coalition at the polls. He is under attack on three fronts:

● The economy. Signs of recovery failed to materialise in the three months to September, when the economy contracted for the fifth successive quarter. Meanwhile, unemployment has risen to a post-war record of 10.5 per cent.

● The opposition, which has been reinvigorated under the leadership of Mr John Hewson, a former economics professor who has frequently made the government look leaden in televised parliamentary debates.

● Internal party politics. Labor's fragile internal unity, which coalesced around Mr Hawke in the glory years, is disintegrating in the wake of the leadership challenge.

Mr Keating lost in June mainly because the party was not ready to abandon the man who gave it a credible claim to being Australia's natural party of government. Mr Keating was also handicapped by being identified as the architect of recession because of his years as federal Treasurer. Hawke supporters advanced the telling argument that there was no guarantee that Labor's electoral fortunes would improve under Mr Keating. He went quietly, believing the government would fall apart without his intellectual drive and ruthless assaults on the opposition.

Time has shown that he was largely right. Without Mr Keating, the government has been unable to respond effectively to opposition jibes about the economy. In particular it has not hit back against an economic package unveiled by the opposition which hinges on lower direct taxes and the introduction of a European-style value-added tax.

Most ministers have yet to reply to the package, which has seized the public imagination and helped propel the coalition to an 18-point lead over Labor in the latest opinion polls. Those who have commented have mostly helped the opposition. Mr Brian Howe, the deputy prime minister, launched a coruscating attack on the VAT arithmetic, only to find he had got his sums wrong. Mr Howe was then televised walking into a cupboard while trying to leave the room.

Mr Hawke attempted to pep up his team last week with a mini-reshuffle which removed Mr John Kerin, the former agriculture minister, from Mr Keating's old job at the Treasury. The reshuffle ended an agonising six months for the hearty but hapless Mr Kerin, who had become notorious for stumbling over figures and misunderstanding statistics. But to the critics, it looked like a despairing last throw of the dice by a man whose government has become paralysed by endless leadership speculation.

The prime minister's refusal to resign reflects his belief that he still controls a majority of votes in the parliamentary caucus, and that he remains a folk hero to the voters. Yet at least half a dozen MPs and senators are believed to have thrown their support behind Mr Keating since June, and more are wavering. Even if the prime minister could win a ballot now, it would be with a narrow majority which would leave the party irredeemably split.

Nor do the opinion polls offer much comfort. Mr Hawke's approval rating has sunk to a record low of 31 per cent in the latest Morgan Gallup poll. Asked who would make the better prime minister, voters favour the opposition leader by 46 per cent to 39.

Mr Hawke has two hopes of survival:

● Mr Keating has pledged, for tactical reasons, not to mount a second challenge, and would have to break his word to do so. That is unlikely to be an impediment for Mr Keating, who believes Mr Hawke has repeatedly reneged on his own promises to stand down.

● A significant improvement in the government's performance, combined with economic recovery, could swing wavering MPs back into line. Mr Hawke thinks that if he can survive until the new year he may yet weather the storm. But while the economy may have bottomed out, growth will be weak at best over the next year, and unemployment is likely to rise further before falling. As for a government revival, ministers say it is hard to put forward a policy alternative to the opposition when every statement is treated as another stage in the leadership battle.

It is a sign of Mr Hawke's self-belief that even in the face of the executioners he was able to tear up the death warrant. But the party will soon have to bring the leadership uncertainty to an end, or hand the election by default to the opposition – whereas if Mr Keating were to take over, Labor would at least have a chance. The timetable remains uncertain, but in the absence of a withdrawal by Mr Keating, the only way to resolve the impasse is for Mr Hawke to leave office. Eventually, he will have to accept what the rest of the country knows – that the Wizard of Oz has lost his magic.

BOOK REVIEW

A mirror on Maxwell

MAXWELL: The Outsider
By Tom Bower
Mandarin £4.99, 557 pages

The book that Maxwell tried to ban, runs the subtitle. Mr Robert Maxwell issued a total of 11 writs against the original version of this biography, before and after its first publication in 1988, but gradually dropped them all. He also used the threat of legal action against bookshops to further curtail its circulation, and prevented the issue of a paperback version, while rushing out his authorised biography.

Bower's republished book, rushed out five weeks after Mr Maxwell's death on November 5, adds three chapters for the last four years of Mr Maxwell's life. There are virtually no changes to the original text, however, which may disappoint those who expected Bower to inject a flood of previously-libellous claims.

It is nevertheless clear why at the time the book became such a target for Mr Maxwell's threats. Mr Maxwell often referred to his private companies, the debt-laden businesses which precipitated the final collapse of the empire, as his "private side". It seems to have been not just financially useful but emotionally necessary for him to keep part of his life inaccessible.

Bower's book was a clear assault on the privacy of someone who wanted to write his own myth. Bower's first 14 chapters are a painstaking history of Mr Maxwell's origins in eastern Europe and his several serious business ventures and setbacks, including the humiliating loss of ownership of Pergamon Press, the science publishing company he built up.

Despite being written in five weeks, the new chapters add three main new issues to the volumes of newspaper coverage since Mr Maxwell's death.

The first is his comical and expensive attempts to win influence with French ministers and businessmen in 1987 and 1988. The episode shows that by 1988 he was frustrated and heavily financially committed. That is important because it is now clear that the decisions which ultimately led to his financial disaster were made in one week in November 1988 when Mr Maxwell spent $3.3bn in taking over two US publishing companies.

Mr Maxwell saw his business empire as a kingdom and he certainly used his commercial interests to win a place at the table with the world's statesmen. Bower illustrates Mr Maxwell's ability to ingratiate himself with the politically powerful with the publisher's cultivation of a relationship with the Soviet leader Mikhail Gorbachev in 1990.

Bowers third insight is Mr Maxwell's relationship with Goldman Sachs, the US investment firm. Bower says that Goldman's New York office was uneasy, arguing repeatedly that they should "pull the plug" and begin to sell the security they held for their loans to Mr Maxwell's companies – in effect, to signal to him that they would would not help finance him indefinitely. However the London office of Goldman Sachs successfully argued until shortly before Mr Maxwell's death that this would make them appear an "ugly American" undermining a UK company.

Bower provides one answer to the question of why the bankers and advisers to Mr Maxwell's companies lent him so much money that the empire eventually collapse under debt. Many of the banks' decisions, Bower suggests, were heavily influenced by individuals' relationships with Mr Maxwell: notably Mr Eric Sheinberg, leading trader at Goldmans Sachs, and Sir Michael Richardson, chairman of Maxwell Communication Corporation's broker Smith New Court.

But another, wider explanation besides Bower's is probably still needed. The banks' willingness to lend money is only fully understandable against the background of the huge race between the media tycoons in the late 1980s, and the 1980s' relaxation of bank lending rules that made the money available.

Rushed out before Christmas, the book ends too soon. It only just managed to refer to the theft of about £400m from the pension funds of Mr Maxwell's public companies, and inevitably becomes dependent on newspaper reporting.

It leaves several mysteries – and not just the question now occupying the Serious Fraud Office: where did the money go, and who knew about it?

Both from lack of time, and from lack of psychological investigation in earlier chapters, the book does not put itself in a position to shed light on why Mr Maxwell pushed his empire to the brink.

It is now clear that Mr Maxwell trusted no one: he bugged the rooms of his advisers and even of his son Kevin. What did he feel for his children, beyond his often-quoted theory, one of his few pieces of self-analysis, that he was trying to recreate the family destroyed in Auschwitz? And what did they feel for him?

Bower's book gives few clues. Kevin enters only on page 394, and his role is brief. One banker said: "There is enormous dynastic loyalty. They were the Maxwells – and the sons still feel that. But I don't know that there was ever real love there, in the ordinary sense of the word." That is now the question to answer: how much did Kevin know, and to what extent did he resemble his father?

Bronwen Maddox

OBSERVER

Chariots of Tyre

■ Had your car stolen recently? If so, and it's an executive model, it might well be in Lebanon. It won't be easy to get back, alas. Whatever the diplomats' success in releasing hostages, retrieving stolen goods from the country is a knottier problem.

Certainly, suspiciously large numbers of smart saloons are on sale there at suspiciously low prices. The word is that local traders are exploiting the relative peace and the government's laxity to offload hundreds of hot cars shipped in from Europe.

At a busy sales lot near Tyre, for instance, the bulk of the dozens of newish chariots lined up in the mud were still bearing licence plates from Germany, Switzerland and so on. Mercedes and BMWs were most in evidence, but white Jaguars are said to be the high fashion.

A two- or three-year-old model can be secured for just a few thousand dollars, given a bit of adroit wheeler-dealing. At worst, you won't pay more than three quarters or so of the book price in Europe.

Anyone tempted to go over for a holiday and bring back a cheap status-symbol, however, should be wary. It seems that a United Nations official finishing his tour in Lebanon rolled up in his homeland in a sumptuous Mercedes 500, and was promptly arrested by customs for possessing stolen property. The car was well known to the police computer.

Pass the dagger

■ One of the problems about the Crime Writers' Association golden dagger award for the best crime writer, is that there is rarely any mystery about who is going to win it.

Barbara Vine, better known as Inspector Wexford's creator Ruth Rendell, won it yet again last night. It is her fourth time. When not going to her, the prize seems to be circulated around other well-known members of the crime writers' club such as P D James, Colin Dexter and John le Carré.

The award, sponsored by Booker's Agatha Christie subsidiary, does wonders for book sales in the pre-Christmas period, and of course for the profits of the cosy band of crime publishers.

But the dagger-go-round doesn't do much to encourage the other 300 or so detective-story writers who have never found the winning clue. Perhaps it's time to give a new twist to the knife by limiting the number of times it can be won by the same person.

Job share

■ Don't read too much into Willy Purves' decision to hand over a bit more power to his deputy, John Gray, by making him chief executive of the Hongkong and Shanghai Banking Corporation. Purves, who will be 60 at the end of this month, shows no signs of wanting to retire and remains chairman and chief executive of HSBC Holdings, the parent.

Like many of his colleagues, Gray has strong Scottish connections – he was born in Australia but went to Strathallan School in Scotland – and is the third generation of his family to rise to the top of the bank. However, he joined two years before Purves and since he is only a couple of years younger, is unlikely to be anything other than a caretaker chairman of the group.

If John Bond can turn round Marine Midland, the group's wayward US banking arm, he might be in the running for the top job. On the other hand, there is always a possibility that the group will leap a generation and pick a much younger executive like Paul Selway-Swift. Splitting the role of chairman and chief executive of the main operating subsidiary will have made this easier.

"I was looking forward to exploiting loop holes in the Social Chapter"

Change of image

■ "Things are changing" in Japanese offices, says Sumitomo Life Insurance, and is accordingly replacing the naked women which used to adorn its calendars with animals and nature scenes. So is the brewer Suntory.

Whether most Japanese office staff approve is another question. True, the whole country was riveted by the Clarence Thomas hearings in the States. But the average Japanese male, at least, is not suffering a crisis of conscience about what he should and should not say to women colleagues.

Left to themselves, most men in offices would probably go on pinning girlie pictures to doors, walls and filing cabinets with no sense of shame or guilt.

But Sumitomo Life, while maintaining that its previous calendars had "artistic merit", now concedes that the open display of them offended some women staff. Suntory has taken the same argument outside the workplace. Its calendars are displayed in bars, it says, and the old-style pictures would be distasteful to the increasing number of women drinkers.

Fan club

■ After being unceremoniously booted out of Italy's Ferruzzi empire, Raul Gardini has had his comeback plans improved now Tate & Lyle and Archer Daniels Midland have taken minority stakes in his Gardini et Associés. Tate's Neil Shaw, who fought Gardini for the hand of British Sugar (both lost), is a member of the Gardini fan club, calling him a "good and aggressive operator".

However, Shaw is conscious of the dangers of being too closely linked with a controversial entrepreneur if the investment starts to go wrong. "If we were ever to leave him, he would be vulnerable," says Shaw. We shall see.

Signing off

■ How sad for the Dutch that nothing came of their plan to crown the Maastricht summit by having the European Community leaders consecrate their achievements in an elaborate signing ceremony. At two in the morning, it seems, Mitterrand, Kohl and the like were resistant to hanging around while the event was organised.

But perhaps history did not miss much, after all. Because none of the agreements had legal standing, all that was written on the document to be signed was: "Today is Wednesday 11th December".

Frayed nerves and dashed hopes

Stefan Wagstyl examines the latest bout of pessimism to hit Japan's capital markets

Mr Takanori Tanabe, a leading Tokyo fund manager, breathed a sigh of relief yesterday when Japanese equities rallied after falling for six trading days in a row.

At times this week it had seemed to Mr Tanabe that investors might panic and start massive stock-selling. That, in turn, could have triggered price declines in London, New York and other markets, he feared.

In the event, the market recovered yesterday and closed 209.67 higher at 21,712.57. But Mr Tanabe, a senior fund manager at an affiliate of Tokio Marine, the casualty insurance company, says investors are still very nervous about a repeat of the October 1987 worldwide stock market crash. "We are at a critical level. We could see a second Black Monday."

Mr Tanabe's forecast is more extreme than most. But pessimism is so general among Japanese fund managers that even leading Japanese stockbroking companies are finding it difficult to summon up much enthusiasm.

A handful of foreign brokers and some fund managers are among the few who argue that

A squeeze on credit, a slowing economy and fears of bankruptcies have all drained away confidence in the capital markets

forecasts of imminent doom are exaggerated.

Tokyo fund managers have had good reason to feel nervous since December 1989, when the 1980s surge in Japanese stock and land prices came to a sudden end.

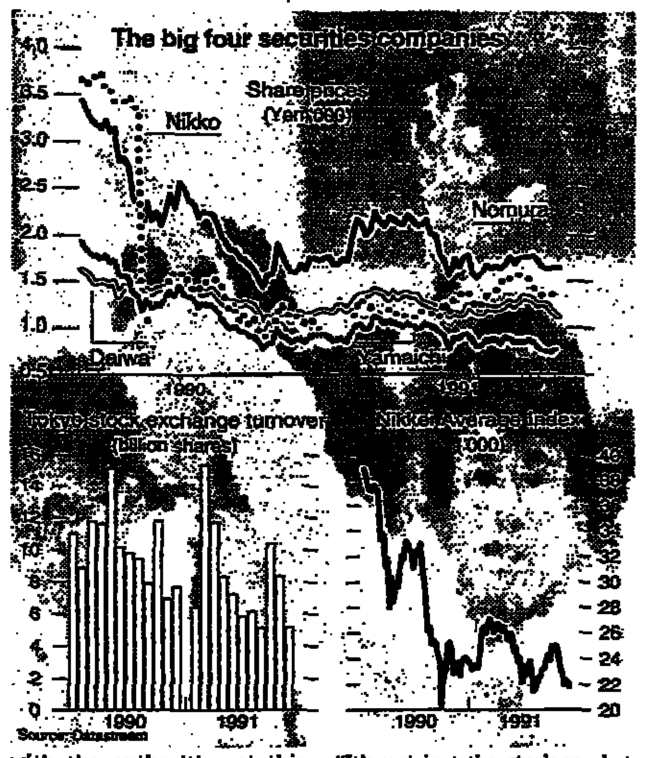
A tight squeeze on credit, a slowing economy and fears of bankruptcy among investment companies and their creditors have all drained away confidence in the capital markets. From overseas, investors were assailed by the shock of the Gulf crisis, the weakness of the US economy and the death throes of the Soviet Union.

But in the past six weeks, Tokyo seems to have fallen prey to a new bout of gloom. Mr Tanabe is by no means alone. At Nippon Life, the life company and Japan's largest institutional investor, Mr Haruaki Deguchi, a senior investment manager, says the current market slump could be as bad as the 1960s – when prices stayed low for four years and scores of securities companies collapsed.

The immediate trigger for this week's jitters has been extremely volatile trading in stock index futures in advance of a key settlement day which falls today. Japanese brokers, envious of the profits some foreign houses have made out of futures trading, often blame instability in the cash market on futures trading. They point out that futures trading volumes in have been five times higher than in the cash market.

However, other reasons for investors' nervousness are not hard to find:

- The growing realisation in the US that the recession would last longer than expected, which has prompted a 6 per cent fall in the Dow from early October. Since the index was then at its all-time high, many investors fear there is plenty of scope for a further plunge.
- A sharp decline in business confidence in Japan, confirmed by numerous reports including the Bank of Japan's quarterly survey of the economy published this week. The steepness of recent downgrades in profit forecasts has come as a particularly nasty surprise to some investors. The Bank of Japan's survey shows manufacturing companies expect pre-tax profits in the year to next March to fall 12.9 per cent, compared with a September forecast of a 2 per cent decline.
- Increasing concern about the financial health of companies involved in the stock market. Equity trading volumes have been so low that most of Japan's 260-odd domestic stockbrokers are trading at a loss. In the six months to the end of September, even Yamaichi Securities, one of the Big Four houses, fell into the red. Rumours fly that even the some large groups are in trouble. The companies concerned firmly deny this, though one fund manager says: "There's no smoke without fire."
- The after-effects of this year's stock market scandals, which involved dealing with gangsters and compensating favoured clients for trading losses. To keep out of trouble with the authorities at this sensitive time, the brokers cannot be seen to be promoting stock too aggressively, let alone resorting to any tricks to induce customers to buy shares.
- Fears of a further collapse in property prices. Although never far away, this concern has loomed larger of late as banks and financial companies try to come to terms with the damage done by defaulting debtors.



Many Japanese investors believe the Bank of Japan is paying too little attention to the above concerns. They accept that short-term interest rates have fallen from more than 8 per cent for overnight money at the beginning of the year to about 6.2 per cent.

But investors argue the central bank is relaxing its grip on credit too slowly. Mr Nobuo Kawasaki, an analyst at Nomura Research Institute, an arm of Nomura Securities, the biggest of the Big Four, says: "It's not just the stock market that needs lower rates. It's everybody."

In particular, the market is uncomfortably near danger levels for two important groups of investors. Bankers calculate that when the Nikkei index falls to 21,000, leading Japanese banks will no longer meet the 8 per cent ratio of capital to assets which the Bank for International Settlements will require from banks after 1992 to meet capital adequacy rules. This is because Japanese banks count as capital a proportion of unrealised gains on securities holdings. At about the same 21,000 level, many smaller life companies will start seeing book losses on their accumulated equity portfolios.

Ministry of Finance officials insist they will not intervene in the markets. But it is hard to imagine they would permit the widespread failure of financial companies. Among banks, securities companies and institutional investors alike, large companies are being encouraged to protect and, where necessary, rescue their smaller brethren.

The BIS standards will not come into force until March 1993, and even then it is not clear what sanctions – if any – will be applied on banks which fail to meet the grade. But they will almost certainly have to reduce assets, or at least curb asset growth further than they have already.

Nevertheless, it is important to see the gloom and doom in perspective. As Mr Craig Chudler, stock market strategist at UBS Phillips & Drew, the Swiss-owned securities company, says, pessimistic investors have been too much concerned with short-term factors. A long-term view shows the Japanese market in much better light. Inspired by such sentiments, foreigners have been heavy buyers of Japanese stocks this year.

For a start, Tokyo should be less vulnerable to a sharp decline than London or New York for example, which have hit all-time highs this autumn. With the Nikkei stuck 30-40 per cent below its December peak, much of the bad news will have been discounted by investors.

Second, by Japanese standards price/earnings ratios are no longer stratospheric – Nomura Research Institute estimates that 1,350 leading companies trade at about 37 times their 1991 earnings – down from about 60 in the late 1980s. So again, there is less scope for another sudden sharp price fall.

Last, interest rates are likely to continue falling gently, even if not as fast as some investors would like. Since Japanese stock prices are more sensitive than most to interest rates, this could spark a sharp rally. Mr Chudler has pencilled in a target of 28,000 for the Nikkei for mid-1992.

But there is a limit to how much falling interest rates alone can drive up share prices. The main reason rates are coming down is that the economy is slowing. Growth next year might only be 2.5 per cent, against 4.5 per cent in 1991.

As the economy slows so profits are being squeezed; and so is the capacity of debt-ridden companies to pay off their debts.

It is these pressures which have come to the fore in the past few weeks and undermined hopes for a rally. Mr Deguchi at Nippon Life says this week he and his colleagues trimmed their forecast for the Nikkei for next spring from 27,000 to between 22,000 and 24,000. They will not have been alone.

Joe Rogaly

Game, but not match

If Britain elected presidents, Mr John Major would be unbeatable. He could go to the polls tomorrow and romp home. He could wait six months and still be would be a shoo-in.

This is the Conservative fancy of the week. It is just about all they have to cling to in these cold dark days. When you realise that you understand the decision to run a party political broadcast, starring Mr Major, on TV last night.

The theory is obvious. No 10 Downing Street contains a winner. Surely the country will give him his just desserts?

It would, in a fairy tale. The real world is less childlike. As Churchill discovered in 1945, British voters do not necessarily reward successful prime ministers. They elect political parties, which form governments. If they were to vote next Thursday the Conservatives would probably lose their overall majority. Wait six months and they might do worse.

The truth is that Mr Major deserves to win, but the Tories do not. I will come to the latter point in a minute. First, credit where it is due.

The prime minister made his bones in Maastricht on Tuesday night. His careful preparation for the summit and his hard-edged politeness during the actual meetings have rightly been praised. He demonstrated that he could stand firm under the combined assault of 11 heads of government, dodge the wiles of the Dutch draftsmen, and come out with almost precisely the deal he said he would get when he went in.

His first reward will be the undisputed leadership of the Conservative party. The band of Thatcherite recalcitrants is shrinking rapidly. Most Tory backbenchers have rallied around him. The accompanying worshipful headlines should ensure that party workers, some of whom have been slow to forget the overthrow of their erstwhile heroine, now unite with greater enthusiasm around him.

He can also expect a greater personal ascendancy over Mr Neil Kinnock in the opinion polls. The Labour leader is aware that he stands behind Mr Major, but no amount of concerted opposition fire on the prime minister seems to have any effect. People like his pleasant smile, his matter-of-fact decency, his representation of the ordinary Englishman on a world stage crowded with extraordinary, un-English, characters. Some have doubted whether there is more to him than style; this week he has demonstrated that behind the nice, apparently wimpish, façade there is a sufficiency of steel. The guileless exterior masks a skilful tactician.

Mr Major has also earned himself at least a footnote in British political history, which is not bad for one year in office. (He may do better if he wins a fresh term, but that is a big if.) The footnote would say that he began to repair the damage done to the Conservative party during

Labour's demerits are beside the point: they do not cancel out the Tory failures

Mrs Thatcher's final years. He cleared away the poll tax mess. He acknowledged the existence of the public services. And, third, he has started to reposition the Conservatives as a "party of Europe", following several aberrant years in which it has been deeply divided about the EC.

Good, but not good enough. The Tories are not yet in sufficiently attractive shape to deserve victory. Their partisans may protest that Labour could not provide competent government, but that is beside the point. Labour's demerits do not cancel out the Conservatives' failures. With all their supposed competence at managing the economy the Tories have managed to create a recession at the wrong time of the political cycle. Should they be rewarded for that?

Many in the government fear that the electorate's answer may be negative. The confident assertions of half a year ago – that economic conditions would improve in time to provide them with a fourth term – are giving way to nervous calculations about a hung parliament. Earlier predictions that the recovery would be visible everywhere have been supplanted by an anticipation of slightly better economic statistics during the first months of next year. People whose businesses have collapsed, or whose clients have vanished, or whose jobs have melted away, will be invited to observe that this or that indicator is pointing in the right direction and to vote accordingly.

There is not much that the government can do about this. It cannot lower interest rates much further. There is no visible prospect of a realignment of sterling against other currencies in the exchange rate mechanism. The budget, which will probably be presented in early March, is not expected to change overall taxation, although there may be some juggling to produce a variety of small bribes for the voters.

The only remaining alternative is to engage Labour in straightforward political debate. For most of this year Mr Major's ministers have been saying that we should wait and see – when they went on the attack Labour would be vanquished. The opposition's ambitious plans would be costed. The number of new quangos would be totted up. The inconsistencies would be revealed. Mr Kinnock would be challenged.

Some of this has begun to happen, but still Labour has a slight edge. The opinion poll story of 1991 is that the Conservatives have stuck almost dead level on 40 per cent while nearly all the changes have been between Labour and the Liberal Democrats. The conventional wisdom has it that there is little enthusiasm for a Labour government. This may be right, but the figures suggest that there is even less enthusiasm for a fourth Tory term. If you wonder why, ask yourself what the government would do if it came back. The current answer, which seems to be true everywhere from Downing Street to John O'Groats, is "search me". Unless Mr Major can give a better answer no amount of increased personal stature will save his party.

LETTERS

Gradgrind view has no basis

From B C Tonks.

Sir, "What I want is Facts. Teach these boys and girls nothing but facts. Facts alone are wanted in life. Plant nothing else, and root out everything else..." This is not Joe Rogaly ("Chalk and Talk", December 10) but Mr Gradgrind from Dickens's Hard Times. Although you could not tell the difference.

Joe Rogaly's appeal to traditional rote learning has no firmer basis than has the progressive education that he so strongly attacks. The facts are that in strict scientific terms we do not know, despite the work of such as Chomsky and Piaget, how children learn.

Teaching therefore has to work within whatever current fad is in vogue. Kenneth Clarke's recent glib protestations have more to do with short-term votes then the deeper problem of child education.

Joe Rogaly's association of state schools with the Daily Mirror is an appeal to the class-ridden educational structures of the past. Presumably those at small private schools will read the Daily Express, Sun and Mail, leaving the Telegraph and Times to Eton and Harrow.

Non-political, well-paid and motivated schoolteachers making their own professional judgment and being judged on the results is what the debate should be about. Not the historical baggage currently being peddled.

B C Tonks,
76 Broadway North,
Walsall, West Midlands

Good science is route to faster drugs approval

From Dr Geoffrey Guy.

Sir, The sentiments expressed in your leader ("A faster track for new drugs", December 9) on the hurdles from discovery to launch of new drugs are well-founded. But regulatory delays are only half of the story. Acceleration of development is just as important if drugs are to reach patients more quickly.

We should move more to a situation where specialist pharmaceutical companies can provide the flexibility missing in many companies – the ability to call upon experts in the field to provide top-quality science and the ability to turn resources off and on as required by the development programme.

Parallel rather than sequential action at the various development stages can increase the effective use of resources and reduce downtime without increased risk. Careful project planning should avoid "management by bureaucracy".

What you need to give the authorities is good science. Then it is their turn.

Geoffrey Guy,
chief executive,
Ethical Holdings,
Peacock House,
32 St Mary's Street,
Ely, Cambridgeshire

Support needed for retraining

From Ms Trudy Coe.

Sir, You highlighted Mr Iain Friend's difficulties in retraining himself after redundancy (Employment, December 10). Sadly, his experience is not uncommon: the training and benefits system is not equipped to handle large-scale managerial redundancies. The scheme of Job Review Workshops, to give individuals career counselling, barely scratches the surface. It does nothing to tackle the basic need for reskilling.

That need will increase; as organisations cut layers of middle management, more and more managers will be forced to consider a career change in mid-stream. Many, like Mr Friend, are prepared to undertake responsibility for their own training. Most are being thwarted in their efforts.

The problem of benefit removal during full-time training clearly needs to be tackled. In addition, the government should take one simple step to provide support for those undertaking their own training. Tax relief which now applies only to lower level vocational qualifications should be extended to all work-related training.

Trudy Coe,
Head of External Policy,
British Institute of Management,
2 Savoy Court,
Strand, London WC2

Making fund managers smile

From Mr David de Yong.

There has been a lot of talk recently about the arithmetic of optimism (including the article by Peter Martin, November 30) and the fact that the Financial Times FT-SE 100 index yields over 5 per cent while the "yield ratio" is firmly below 3 per cent, apparently a traditional indication that shares are good value.

In reality, every time a company that goes into liquidation or is trading so badly that its shares plunge and is then taken out of the index to be replaced by a new entrant, produces a fallacious figure. One hears about the fund managers trying hard to beat the FT-SE 100 index; it is quite a mighty task just keeping up. In fact, the figures really that have been quoted regarding yield and value etc should be much worse. I think a true annual index could be produced alongside the current one. Perhaps it is also possible for one of your bright mathematicians to calculate the true picture of FT-SE since its inception right up to date. Stocks which have disappeared, nil; ones which have sunk to a lower level, at their current values. With takeovers in other shares you have an easy calculation; if it's cash it could stay at a constant value or, more correctly, be depreciated by the annual inflation figure. With these adjustments many more fund managers would be smiling.

David de Yong,
34 Addison Avenue,
London W11

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Expectations of what banks should provide are not realistic

From Mr Gary Neville.

Sir, The High Street banks have come in for considerable criticism of late. Perhaps some of it is justified. Many of the disappointments experienced, however, should have been anticipated and the fault lies as much in our expectations of the sector as with its actual performance.

Traditionally manufacturing industry has looked to the banks to provide fixed overdraft facilities to finance working capital. The directors of recipient companies neither expect nor usually welcome in-depth involvement and understanding of their business by a finance provider. Equally the bank manager (let us not forget that the bank is not an entity in itself but a group of professionals making judgments and taking risks) does not enjoy the practical experience technically to evaluate each and every contract in which his array of customers are involved. Furthermore, the size of the banking institutions and their client bases mean that a manager cannot allocate disproportionate time and resources for close associations with a few "special" clients and has to remain remote from the performance of the client company.

Little wonder then that, first, bankers only feel comfortable with 100 per cent securitised, frequently property based lending. Second, that businessmen, particularly in small and medium sized companies, lack the commercial maturity for responsible custodianship and use of funds, and, third, that both parties feel aggrieved or exposed when things go wrong.

Banks should be accepted within their limitations. High street bank managers were never intended to be corporate finance and trade experts which is simply not their business. Most companies find it difficult, if not intrusive, when their bank becomes interested in the evaluation and financing of specific contracts as opposed to the standard balance sheet methods they use to finance working capital.

Is it not time that companies concentrated less on criticising the banks and more on evaluating the most appropriate source of finance (as they would with any other resource) for specific transactions at the pre-order stage.

Gary Neville,
finance director,
London & International Mercantile,
17-29 Sun Street,
Broadgate, London EC2

FINANCIAL TIMES
Friday December 13 1991

Korean accord eases 40-year tension

By John Ridding in Seoul

NORTH KOREA and South Korea yesterday took an important step towards easing more than 40 years of cold war hostility by agreeing on a declaration of non-aggression and reconciliation.

The agreement is the first substantial political accord between the two sides since the division of the Korean peninsula after the Second World War. It will help ease tensions across the highly-militarised Korean border.

"We have reached full agreement," said Mr Lee Dong Bok, spokesman for the South Korean delegation to the fifth round of negotiations between the prime ministers of the two countries. "The only remaining procedure is the signing by the prime ministers," he said.

Full details of the agreement were not immediately available, but an official at South Korea's unification ministry said the two sides had agreed to replace the armistice agreement of 1953 – under which the two Koreas are still technically at war – with a peace agreement.

The agreement, due to be signed today, says the two sides will respect each other's political system, not interfere in each other's internal affairs, and not slander each other. Direct telephone links will be established between military authorities in North and South Korea and media exchanges will be increased.

A Western diplomat in Seoul said: "This will provide a good base for further improvements in bilateral relations."

Although the accord was announced after the South Korean stock market closed, indications of progress during the day had sent the market index up by 12.3 points to 653.4 points.

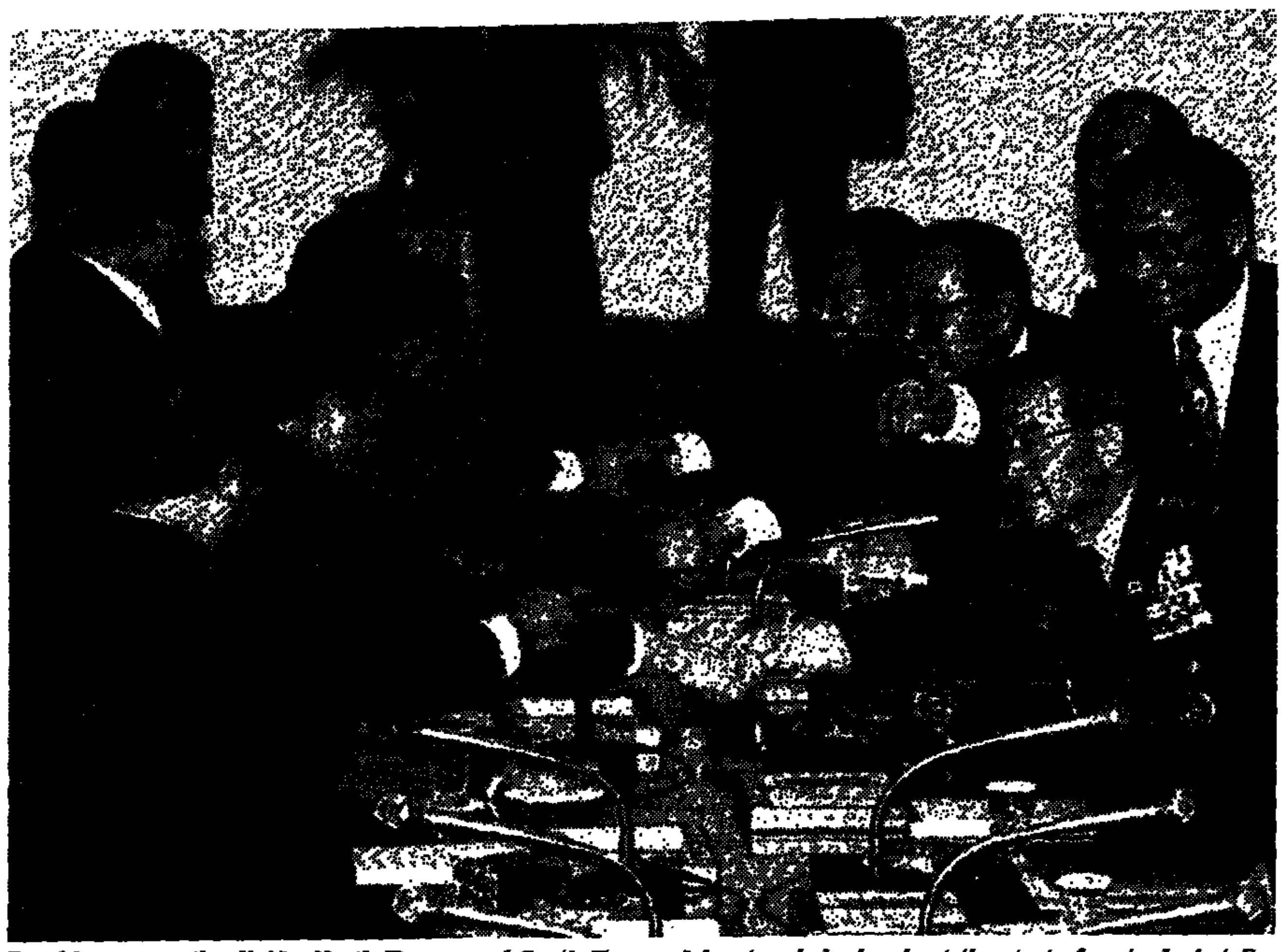
The agreement comes at a time of increasing concern about North Korea's nuclear programme.

South Korea and the US, its principal ally, have said they believe Pyongyang is developing a nuclear weapon and will be able to produce a device by the middle of the decade. The US has described Pyongyang's nuclear programme as the biggest threat to security in north east Asia.

Mr Lee Dong Bok said the agreement did not include nuclear issues between the two countries. Discussion on these would proceed separately.

Analysts in Seoul attributed yesterday's breakthrough to increased pressures on the stalinist regime in Pyongyang. The collapse of communism in the Soviet Union and eastern Europe has left North Korea diplomatically and economically isolated.

Historic accord, Page 4



Reaching across the divide: North Korean and South Korean delegates shake hands at the start of yesterday's talks

Branson accuses BA of dirty tricks

By Paul Betts, Aerospace Correspondent

AN EXTRAORDINARY exchange of vitriolic letters between Mr Richard Branson, the chairman of Virgin Atlantic Airways, and the two deputy chairmen of British Airways yesterday intensified the year-long row between the two airlines.

Mr Branson sent an open letter to BA's non-executive directors alleging Virgin had been the target of a "dirty tricks" campaign orchestrated by its much bigger competitor.

Sir Michael Angus, chairman of Unilever and non-executive deputy chairman of BA, replied that it would be "wholly inappropriate" for the non-executive directors to respond to the allegations and that they should be directed to the company itself.

In another letter, Sir Colin Marshall, BA's chief executive and deputy chairman, accused Mr Branson of seeking publicity by making unjustified allegations against BA.

Mr Branson claimed that his airline's success this year in winning some of BA's landing and take-off positions in Tokyo, as well as being allowed to begin operations at Heathrow, BA's London base, had engendered at BA "such fear and anger that normal and acceptable standards of commercial behaviour have been abandoned by British Airways".

He asked BA's non-executive directors to investigate the allegations and warned that he was considering filing a second complaint against BA with the European Commission "to prevent damage to Virgin Atlantic's business".

Last January, Mr Branson wrote to Sir Leon Brittan, the EC competition commissioner,

London's role as hub at risk.......................Page 6

complaining of allegedly uncompetitive behaviour by BA. He also wrote to Lord King, the BA chairman.

Mr Branson's latest attack coincides with increasing competition between Virgin and BA on long distance airline routes and renewed efforts by him to secure additional slots at Tokyo at the expense of BA to operate a service from London to Tokyo seven days a week.

The Civil Aviation Authority this week turned down Virgin's application for additional Tokyo slots, but Mr Branson is appealing against that ruling to the Department of Transport.

In his reply yesterday, Sir Colin noted that Mr Branson had chosen to repeat his allegations against BA "on the very day the CAA rejected your application for further substitution on our routes to Tokyo".

Mr Branson alleged in his letter to BA's non-executive directors that BA had: sponsored a press campaign and set up a "task force" to discredit Virgin; instructed its engineering staff at Tokyo not to assist Virgin engineers or receive assistance from them; systematically approached Virgin passengers to try to persuade them to fly with BA instead; not co-operated on ticket transfers between the two airlines.

Sir Colin said it was BA's policy to compete "vigorously and fairly with all its competitors" and would not be deflected from this policy by Mr Branson's "continued and unjustified public attacks".

US boost for cheaper Atlantic phone calls

By Hugo Dixon in London

TRANSATLANTIC telephone call charges are expected to come under downward pressure after actions yesterday by the US regulatory authorities to open up the country's international communications market to more competition.

Charges could eventually fall by more than half, to 30 cents to 40 cents a minute, from about 90 cents a minute at present, experts said.

The US Federal Communications Commission said it would permit resellers – a new breed of operator which buys transmission capacity in bulk and then sells it on to customers – between the US and any other countries which allow equivalent resale opportunities.

The policy is understood to be aimed specifically at the UK, Canada, Australia, New Zealand and Sweden which are opening their markets to this type of competition.

The FCC also proposed to reduce the regulatory burden on foreign-owned telephone companies operating in the US.

This followed a petition from Cable and Wireless, the UK-based telecommunications group, but it is also expected to apply to BT, formerly British Telecom, and some other non-US operators.

Taken together, the two actions are expected to unblock resale on the US-UK route. It had been delayed because the UK government has argued that British operators were being unfairly discriminated against in the US market because of heavy regulatory burdens.

The UK's policy is also to allow resale to those countries which have an equivalent regulatory regime.

Mr Greg Staple, a US telecommunications lawyer, said resale could exert considerable downward pressure on call charges between the US and the UK. "Resellers might be able to operate at between 30 cents and 40 cents a minute."

Cuts in prices on this route are likely to put downward pressure on prices on other transatlantic routes.

Otherwise, telephone users on the continent of Europe would have an incentive to route transatlantic calls through the UK.

International call charges have been kept artificially high by a series of complex cartel arrangements, leading to high profits for established telephone companies.

Hawke defies call for him to quit

By Kevin Brown in Sydney

MR Bob Hawke yesterday refused to resign as prime minister of Australia in spite of advice from six of his most trusted cabinet colleagues that he should go.

Mr Hawke's decision means the governing Labor party will probably face a damaging leadership battle between the prime minister and Mr Paul Keating, his former deputy.

Mr Keating went to the backbenches in June after being beaten by 66 votes to 44 in a vote by Labor's parliamentary party.

He has since picked up substantial additional support, in spite of promising not to mount a second challenge.

Unrest over Mr Hawke's leadership has risen steadily during the past six months as the prime minister has struggled to cope with recession, record unemployment and a resurgence by the conservative opposition.

Mr Hawke tried to instil new life into his government last week with a mini-reshuffle which removed Mr John Kerin, the lacklustre treasurer, but succeeded only in prompting a frenzy of media attacks on the government's performance.

The leadership issue came to a head early yesterday morning when the six ministers who ran Mr Hawke's re-election campaign in June offered him a number of options, ranging from standing down immediately to retiring after a visit by US President George Bush at the end of the month.

After 2¼ hours of talks, Mr Hawke refused all the options, insisting he was the only leader capable of steering Labor to victory in the next election, which must be held by May 1993. He told the cabinet delegation he believed he still had the support of the party and the country, in spite of opinion polls showing Labor 18 points behind the opposition.

His refusal to resign means the leadership battle can be decided only by a ballot of the parliamentary party, which could leave it deeply split with more than a year to go before the election.

It was unclear whether Mr Keating would force a second ballot immediately or remain on the sidelines in the hope that the government will continue to fall apart.

The first chance for a ballot will come next week, when a meeting of the parliamentary party is scheduled to discuss forthcoming legislation.

Mr Hawke believes he can survive as prime minister if he hangs on until next year, when he expects Labor's fortunes to improve in line with a forecast improvement in the economy.

The only member of the cabinet delegation to comment was Mr Kim Beazley, the finance minister, who said Mr Hawke intended to remain prime minister unless he was defeated in a vote.

Ironically, the attempt by the cabinet to depose Mr Hawke came almost exactly eight years after his supporters persuaded Mr Bill Hayden, the then Labor leader, to step aside in the interests of the party. A few weeks later, Mr Hawke won a decisive victory over Mr Malcolm Fraser's conservatives.

The magic wears off, Page 18

Goldman Sachs faces UK probe of MCC share deals

Continued from Page 1

Goldman has said it held enough shares already in August to exercise the option. In that case, the option gave it an incentive not to sell the shares.

Institutions have been angry that the option appeared to be an indirect way for Mr Maxwell to buy shares during a period when he, as a director of MCC, was prohibited from buying under Companies Act restrictions – Mr Maxwell was at the time in possession of price-sensitive information.

The disclosure that Goldman deals are under scrutiny by the SFO may prove embarrassing to the UK Treasury, which appointed Goldman as its leading adviser on the US portion of the recent sale of the government's holding in British Telecom.

Before being appointed by the Treasury, Goldman made a written pledge that it knew of no possible wrongdoing across its worldwide business that would make it "inappropriate" for Goldman to act as adviser in the BT sale. Government officials also sought and received assurances from Goldman that its dealings with Maxwell, and in particular the put options, were not designed to inflate the share price.

Now that shares in MCC are almost certainly worthless, banks who took those shares as collateral for loans have begun to investigate whether they would have a legal case against any party for supporting the price of those shares.

The SFO said yesterday that if it decided to launch a formal investigation into the alleged share support, it will mean that it is making four separate inquiries into the affairs of the Maxwell empire.

The other three are:

- An investigation into the disappearance of £400m from the Maxwell public companies' pension funds;
- An investigation into the removal of £100m from Mirror Group Newspapers;
- The circumstances surrounding a £55m loan made by Swiss Bank Corporation to a Maxwell private company.

THE LEX COLUMN

The Maastricht factor again

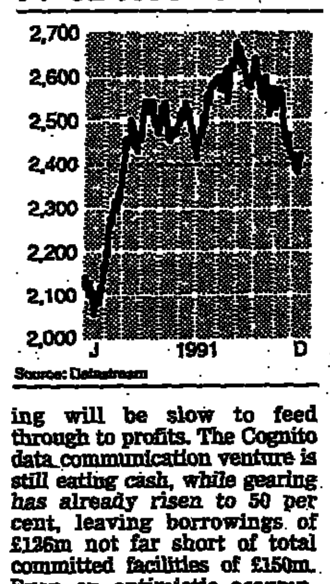
Yesterday's 43-point jump in the FT-SE is a striking reminder of the continuing importance of domestic politics in the London market. Part of the sense of relief will be due to the fact that Maastricht has passed off without damage to sterling. Chiefly, though, the market calculates that Mr Major's performance at the summit is worth a few points on the opinion polls. Never mind that fund managers tell themselves, in their more rational moments, that ERM membership makes the election outcome less important than before. Never mind that most of them believe the Tories are going to win anyway. Any reduction of risk is still worth something on the price.

Whether the mood will last is difficult to judge. The market was probably due for a bounce anyway. By yesterday morning, the quarter was looking one of the most gruesome in years, with the FT-SE down nearly 10 per cent since the start of October. It is perhaps worth recalling that there have been two bigger one-day rises in the past six months. The first, in August, took the market through 2,600. The next took it through 2,550. Yesterday's took it through 2,400.

At some point, investors will become nervous of missing the rally, particularly if they were left out in January. Volatility on yesterday's scale is bound to add to the sense of insecurity. But if, for instance, the market were to start fretting that Maastricht has given Labour an opening over social policy, yesterday's rise might equally prove just another blip on the downward slide.

FT-SE Index: 2,423.3 (+43.1)

FT-SE 100 Index



Source: Datastream

Dowty

Something about the presentation of Dowty's interim results suggests the new management may have an eye on the fate of Hawker Siddeley. Not only is it anxious to emphasise the speed with which it has drawn up and implemented a reorganisation programme, it has also chosen to maintain the interim dividend, even though it is uncovered after a 73 per cent fall in pre-tax profits. If a bid were to materialise, that should prevent it being caught in the Hawker trap of having painted a bleak future.

But it is difficult to disguise the fact that Dowty's future is indeed bleak, even though the investment in its Montreal aircraft component parts factory will soon start paying off. With pricing under pressure, the cost savings from restructuring will be slow to feed through to profits. The Cognito data communication venture is still eating cash, while gearing has already risen to 50 per cent, leaving borrowings of £126m not far short of total committed facilities of £150m. Even on optimistic assumptions for the company's main markets, it is difficult to see earnings covering a maintained full-year dividend this year or next.

At last night's close of 148p, the shares are trading on a multiple of perhaps 30 times current year earnings and at a substantial premium to the market even for next year. The market may be counting on a bid: but given that the price could be enough to deter even a predator able to acquisition-account the Cognito problem away, it might be safer to take the money now.

US economy

After yesterday's US producer price figures, it would be difficult for the Federal Reserve to cite worries about reviving inflation as an excuse for not cutting rates further. October's 0.7 per cent jump is now revealed as an aberration; producer prices have risen at an annualised rate of just 0.2 per cent in the first 11 months of this year.

In terms of prospective inflation, a federal funds rate of 4½ per cent looks high in real terms for this stage of the economic cycle. If the Fed does hold back now, it would run the risk of seeing an irresponsible fiscal stimulus hatched in Washington.

That might undermine long-term bond rates, which have a significant influence on overall sentiment, not least because of their impact on the housing market. Ultimately, the Fed's independence could come under concerted attack if it failed to act at a time of growing economic alarm in the White House.

This is not to say that a further half-point off the discount rate would do much by itself to revive demand for credit. Even the export stimulus of a weaker dollar is likely to be diluted by slowdown elsewhere in the industrial world. The problem is that the budgetary overhang means there is little alternative to monetary easing. The actual picture is not as bleak as some suggest; but the sluggishness is deep-rooted enough to suggest that the next Fed easing may not be its last. The art then would be to convince the markets that policy was not motivated by panic but a natural consequence of declining inflation.

Hartstone

Yesterday's £65m rights issue from Hartstone confirms that the shell company game is alive and well. In the three years since Mr Stephen Barker moved in, Hartstone's shares in issue have multiplied 20-fold and its market capitalisation 50-fold. Its value is now £191m, which from a standing start is plainly impressive. But the latest rights issue means that shareholders will have stumped up £130m in the period, while another £40m-odd of paper will have been issued for acquisitions.

Since shareholders have enjoyed a market outperformance of 550 per cent since Mr Barker arrived, to say nothing of a 50 per cent rise in this year's dividend, they have no cause for complaint. The question is rather where the company goes from here. Mr Barker says it is now time to settle down after the first headlong rush of acquisitions, with no more deals or cash calls envisaged for the next 18 months. In the meantime, investors must content themselves with such organic growth as is available in hosiery and handbags.

The more fundamental question is how long a company like this can keep it up. There is an instructive comparison with Albert Fisher, Mr Barker's previous employer. In its corresponding start-up period a decade ago, Fisher did better even than Hartstone, with a market outperformance of over 800 per cent. Since then, it has outperformed by some 20 per cent. At yesterday's price of 285p, Hartstone is on a current year p/e of 13. If the parallel holds good, it is not necessarily a bargain.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	11	52	Berlin	S	-3	27	Caracas	C	29	84	Faro	S	16	61	Islamabad	C	21	70
Algiers	S	16	61	Biarritz	S	10	50	Casablanca	S	19	66	Florence	S	8	46	Istanbul	C	4	39
Amsterdam	C	3	37	Bombay	S	30	86	Chicago	F	8	46	Frankfurt	S	-1	30	Jakarta	R	31	88
Athens	Sl	3	37	Bordeaux	S	9	48	Cologne	S	2	36	Geneva	C	0	32	Jersey	S	6	43
Bahrain	S	25	77	Boulogne	S	2	36	Copenhagen	C	0	32	Gibraltar	C	15	59	Johannesburg	S	24	75
Bangkok	F	31	88	Brussels	S	3	37	Corfu	S	9	48	Glasgow	Dr	7	45	Lima	C	23	73
Barcelona	C	9	48	Budapest	S	2	36	Dallas	C	19	66	Helsinki	C	1	34	Lisbon	S	12	54
Beirut	R	14	57	Buenos Aires	R	27	81	Dublin	C	7	45	Hong Kong	F	19	66	London	C	3	37
Belfast	R	6	43	Cairo	F	16	61	Dubrovnik		–	–	Innsbruck	S	-1	30	Los Angeles	S	12	54
Belgrade	C	-1	30	Cape Town	S	24	75	Edinburgh	F	7	45	Inverness	F	10	50	Luxembourg	S	-1	30

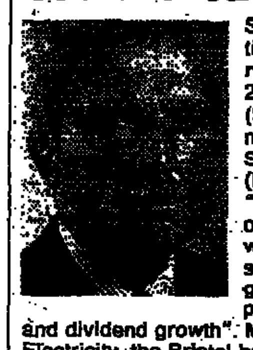
		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	19	66	Milan	S	0	32	Nicosia	C	9	48	Salzburg	S	-8	18	Tenerife	F	21	70
Madrid	F	8	46	Montreal	S	-3	27	Oporto	S	14	57	San Francisco	S	6	43	Tokyo	C	8	46
Majorca	S	15	59	Moscow	Sn	1	34	Oslo	F	0	32	Seoul	S	-5	23	Toronto	C	-4	25
Malaga	F	17	63	Munich	S	-5	23	Paris	S	2	36	Singapore	T	26	79	Tunis	F	13	55
Malta	F	11	52	Nairobi	C	23	73	Peking	S	1	34	Stockholm	C	1	34	Valencia	R	10	50
Manchester	C	-1	30	Naples	S	8	46	Prague	Fg	-7	19	Strasbourg	S	-2	28	Venice	S	6	43
Manila	C	23	73	Nassau	C	27	81	Reykjavik	C	2	36	Sydney	R	18	64	Vienna	Fg	-6	21
Melbourne	S	20	68	New Delhi	S	23	73	Rhodes	F	10	50	Taipei	C	17	63	Warsaw	S	-5	23
Mexico City		–	–	New York	C	8	46	Rio de Janeiro	S	40	104	Tangier	F	17	63	Washington	S	5	41
Miami	S	20	68	Nice	S	9	48	Rome	S	9	48	Tel Aviv	C	11	52	Zurich	C	-4	25

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1991
Friday December 13 1991

INSIDE

Electricity companies see increased profits



Scottish Hydro, the Scottish electric utility, raised pre-tax profits by 27 per cent to £27m ($48.9m) in the six months to September 30. Sir Michael Joughin (left), chairman, said: "We see falling fuel and overhead costs, together with rising revenues outside our authorised area giving us good prospects for reliable profit and dividend growth". Meanwhile South West Electricity, the Bristol-based company, made a pre-tax profit of £13.6m in the first half, compared with a pro forma loss of £1.2m in the same period last year. Page 28

Jardine seeks to switch listing

Jardine Matheson, the Hong Kong-based trading group, is to ask shareholders' approval to move its primary listing to London after its request for a special "trading only" status on the Hong Kong stock exchange was turned down yesterday. The request was rejected after adverse comment on the proposals from market practitioners. Page 24

Seoul stock market eases open

South Korea is attempting to make the opening of its stock market more attractive to foreign investment by raising the limit on foreign ownership in more than 40 of the country's biggest companies. Page 25

Qantas rises on aircraft sale

Qantas, the Australian airline, announced a 1990/91 net profit of A$44.3m (US$34.2m), up from A$12.1m in the previous year. However, the airline said the result was struck after pre-tax profits of A$348m from the sale of nine Boeing 747 aircraft as part of a re-equipment programme, offset by redundancy costs of A$109m. Page 24

Bourse volumes turn down

A good showing by five of Europe's bourses last month failed to prevent a downturn in the region's aggregate equity market volumes. Brussels was the best performer, thanks to bid activity, but volumes dipped in France, Italy and the UK. Page 42

White elephant seen in S Africa

South African taxpayers believe they have been saddled with an enormous white elephant which has consumed, to dubious effect and with no end in sight, an enormous amount of their money. It is the project to convert natural gas to petrol and diesel. Secret for many years, the government has now lifted the wraps on this controversial project. Page 30

European markets show gains

European government bond markets showed strong gains for the second day running yesterday following agreement on monetary union at the Maastricht summit. The high-yielding markets of France, Spain, Italy and the UK continued to attract buyers. Page 25

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer-Hypo	375	+	9
BHF Bank	395	+	11
Lahmeyer	699	+	34
Falls			
AG Ind & Verk	640	−	20
Colonia Konzn	880	−	30
Porsche	520	−	30

NEW YORK ($)

Rises			
BankAmerica	32⅝	+	1⅝
Cytrx	6	+	½
IBM	89⅛	+	1⅜
Sec Pacific	26⅜	+	1¼
Wells Fargo	60½	+	3¼
Falls			
Healthcare Serv	12¾	−	2¼

PARIS (FFr)

Rises			
BIC	580	+	36
Chargeurs	896	+	36
Cogif	330	+	25
Schneider	561	+	28
Worms Cie	330	+	26
Falls			
Imetobanque	710	−	24

TOKYO (Yen)

Rises			
Hogy Medical	5010	+	500
Kanto Special	685	+	60
Kimura Chem	772	+	72
Matsuzakaya	2210	+	180
Miyata Ind	1310	+	190
Falls			
Toyo Sanso	1520	−	120

New York prices at 12.30.

LONDON (Pence)

Rises			
Airbreak	61	+	8
Albert Fisher	69	+	7
Anglian Wtr	353	+	13
Barclays	358	+	10
Bass	979	+	23
Fine Art Dev	352	+	18
GUS A	1333	+	41
Johnson Matthey	322	+	17
Pilkington	132	+	9
RHM	246	+	11
RTZ	488	+	20
SW Electric	268	+	11
Thornton (GW)	153	+	18
Wellcome	933½	+	21½
Wharfedale	15½	+	4
Falls			
Amstrad	22½	−	3½
Beazford	34	−	11
Cannon St.	18	−	3
Dowty	148	−	6
EIT	14	−	2
Micro Focus	1458	−	72
Tinsley	60	−	4
Unit Grp.	46	−	11

Wells Fargo warns of $700m charge

By **Alan Friedman** in New York

WELLS FARGO, the large California-based commercial bank with heavy commercial property loan exposure, yesterday said it would make a $700m fourth quarter loan-loss provision, cut its dividend by 50 per cent and suffer a fourth quarter loss of up to $239m.

The sharp deterioration in the loan portfolio will wipe out nearly all the bank's 1991 earnings. It appears to reflect the worsening recession in California and especially the property crisis.

The bank, the 10th biggest in the US with $55bn of assets, is forecasting only a "slight" 1991 profit. This is expected by analysts to be as little as $10m to $20m, compared with 1990 net profits of $711m

The gloomy outlook at Wells Fargo – traditionally seen as one of the more profitable US banks – follows a tough examination by bank regulators of the bank's property portfolio.

Mr Carl Reichardt, chairman, said: "Our fourth quarter numbers will reflect the regulatory review of our real estate portfolio."

The bank's commercial property portfolio amounts to $12.7bn of total bank lendings of $46bn. Some $965m of property was already classified as non-performing before yesterday's announcement; the bank would not disclose how much of the $700m of loan loss provisions were related to property.

Wells Fargo said it would write off $200m of loans in the fourth quarter, bringing total 1991 write-offs to $573m. This compares with 1990 write-offs of $168m.

The 600-branch bank said its 1991 loan-loss provisions would total $1.65bn, up dramatically from $310m last year.

The dividend cut, from $1 to 50 cents, would save more than $260m on an annual basis. Mr Reichardt said the dividend was being cut to strengthen capital ratios "in these uncertain economic times".

Mr Reichardt was pessimistic about the future. "There is little evidence of an upturn in the economy, so we remain cautious," he said.

Wells Fargo made $252m profits in the first nine months of this year, less than half the $555m in the same period last year. The bank recently sold off a $400m package of non-performing highly leveraged transaction (HLT) loans. Total HLT loans amount to $3bn and the asset quality of these loans is thought to be among the poorest in the bank's portfolio.

The bank's poor performance could imply a continuing deterioration at Security Pacific, the Los Angeles-based loss-making bank being rescued in a takeover by the Bank of America.

Pilkington to sell its South African interests

By **Philip Gawith** in Johannesburg and **Charles Leadbeater** in London

PILKINGTON, the British glassmaker, is selling its South African interests in a deal which could lead to one of the most significant takeovers in the country's recent corporate history.

It is selling its 48.4 per cent cent stake in Glass South Africa to Plate Glass and Shatterprufe Industries, the South African glass group for R525m ($189.50m).

The proceeds of the sale, which include Pilkington's share of Glass South Africa's profits, should reduce the UK company's gearing from about 62 per cent to 50 per cent, cut its annual interest bill by £15m and improve its tax position.

Mr Andrew Robb, Pilkington's finance director, said the recession and competition from imports as the South African economy opens to international trade was likely to cut profits.

This is one of the largest disposals Pilkington has made in its effort to strengthen its balance sheet. Mr Robb said a sale of Pilkington's interests in Australia was unlikely at this stage although the company was considering further disposals of smaller non-core businesses.

Pilkington last week announced a halving of interim pre-tax profits to £50.6m.

The deal should clear the way for talks on a merger between South African Breweries, South Africa's largest industrial group and Placor, the company which controls Plate Glass and Shatterprufe Industries.

Patrick Harverson on the revival of interest in low-rated, high-yielding corporate debt

Investors succumb to the lure of junk

Junk bonds have enjoyed an unexpected renaissance this year in spite of the ups and downs of US equity markets and the beleaguered state of the domestic economy.

Three recent events in particular testify to how far the market for high-yielding, low-rated corporate debt has come this year and how quickly it has recovered since the collapse in early 1990 of Drexel Burnham Lambert, the investment bank which almost single-handedly built the $200bn junk bond market.

The first key event was this autumn's sale of Executive Life of California (ELIC), the failed insurance company. Earlier this year ELIC was seized by the state insurance authorities in the biggest insurance rescue in US history. ELIC's problems stemmed from a policyholder run spurred by the company's exposure to a big but depreciating portfolio of junk bonds.

This summer the Californian insurance commissioner decided to sell ELIC by auctioning it to the highest bidder, a move few thought wise at the time because of doubts over whether anyone would want to buy the company's big book of junk bonds.

However, there was sufficient interest in ELIC and its junk to force the eventual buyer, a French consortium, to raise its bid several times. The French paid more than $3bn for ELIC primarily because it felt the portfolio was a good buy.

Only time will tell if this was an astute acquisition, but there was no escaping that a large, reputable buyer was willing to bid for one of the country's biggest portfolios of junk bonds.

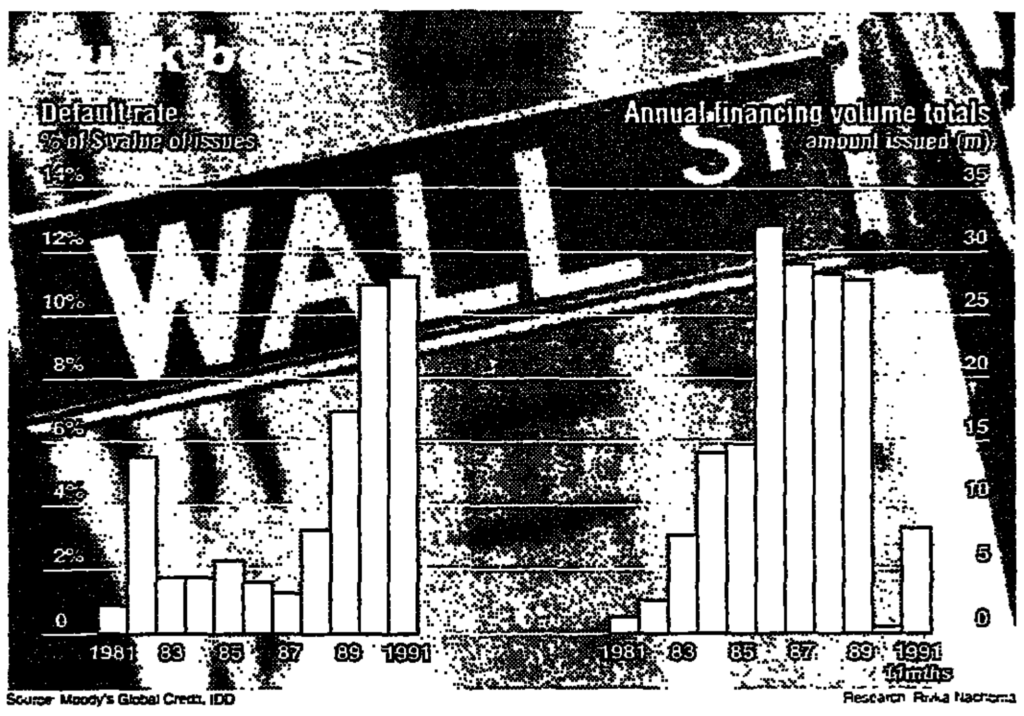
The second event was the recent disbandment of The Alliance for Capital Access, the junk-bond lobbying group. The lobbyists decided to close because they felt their services – to promote the concept of high-yielding securities and protect the reputation of the market – were no longer needed.

Finally, there was this month's decision by two big US ratings agencies, Standard & Poor's and Moody's Investors Service, to upgrade the debt of RJR Nabisco, the big food and tobacco group.

In 1989 RJR was bought out in a highly leveraged $30.5bn deal that burdened the company with a mountain of debt rated from the start by S&P and Moody's as junk. The agencies decided to upgrade more than $16bn in RJR securities because the company steadily improved the quality of its balance sheet this year by reducing debt through stock offerings. In one move, the upgradings lifted 3 per cent of the junk bond market into the investment grade category.

Many analysts described the RJR upgrade as a "milestone" for the junk bond market, a bonus in an exceptional year.

The numbers for 1991 are impressive. According to IDD Information Services, in the first 11½ months this year $8.1bn in new junk rated paper was issued, whereas in all of 1990 only $504m made it to the market.



Source: Moody's Global Credit, IDD
Research: Rivka Nachoma

Although the market is still a long way off its peak (in 1986 more than $30bn in new junk was issued), the rebound in new-issue volume illustrates the extent of a recovery that was not foreseen. There has been demand to match the new supply. From January to the beginning of November a net $3.2bn flowed into high-yield mutual funds.

This will make 1991 the first year since 1998 that high-yield funds have attracted more money than they lost. Such was the flight from junk, that last year $3.2bn alone was taken out of high-yield funds by investors.

This year looks good partly because 1989 and 1990 were so bad. Last year the market for high-yielding, low-rated US corporate securities suffered a dramatic slump.

The value of junk bonds fell as defaults and corporate bankruptcies soared. Demand from investors evaporated, new issues dried up. Legislators, appalled at the behaviour of junk-laden thrifts and insurers, and at the excesses of the market-leading intermediary, Drexel Burnham Lambert, imposed tougher regulations on institutional holdings of junk bonds. Since then, much has changed. Demand for high-yield securities among sophisticated, less risk-averse investors has been strong because the returns have been attractive, especially compared with other fixed-income instruments which have suffered from declining interest rates. Admittedly, institutional demand has suffered from the growing severity of state-imposed restrictions on insurance company investments in junk.

There has been sufficient demand, however, to encourage impressive price gains. Whereas last year the capital growth on the Merrill Lynch High Yield Master Index, a widely-used measure of junk bond fund performance, showed a net loss of 4.36 per cent, by mid-December the year-to-date return on the index was 33 per cent.

While demand has grown, supply has shrunk. There may have been a big rise in new issues, but there has been an even bigger increase in companies paying off or restructuring their high-yielding debt.

The decline in US interest rates this year has encouraged companies to issue new equity on the stock market and use the cash to replace expensive debt with cheaper borrowings.

The strength of the junk bond market this year has been such that historically high rates of default among junk issuers have not deterred investors.

The weakness in the US economy has ensured default rates have remained high, but the attractive yields on junk, and the relative security offered by investing in a junk bond index (where the risk of default is widely spread), have overcome investor fears. Furthermore, the junk market may be over the worst. Mr Martin Fridson, managing director of high-yield research at Merrill Lynch, believes the default rate peaked in July this year.

Although 1991 has been a good for junk, the horizon is not entirely cloud-free. If the economy as some fear it may, tumbles into a "double-dip" recession next year, default rates could pick up and investors might choose to avoid riskier assets, however tempting the yield.

Moreover, the recent slump in stock prices has threatened to reverse the equity-raising and debt-reduction trend among junk issuers that has helped keep prices buoyant.

However, investors who understand junk have proved they can live with high defaults rates and a sticky economy. For those who seek high yields, junk bonds remain a big draw.

Gardini reveals secret allies in purchase of Sucden stake

By **Robert Graham** in Rome and **Guy de Jonquières** in London

MR RAUL GARDINI, the former head of Italy's Ferruzzi group, yesterday revealed his secret allies in this week's FFr1.65bn ($311m) purchase of a stake in – and three industrial units from – Sucres et Denre'es (Sucden), the debt-laden French commodity trader.

They are Archer Daniel Midland (ADM), the US agri-business group, Tate & Lyle of the UK and CIP, the Luxembourg-based holding company controlling large starch production interests in Europe.

Each has agreed to take a 5 per cent stake in Gardini e Associati (GEA), the company formed by Mr Gardini in August as an agro-industrial investment vehicle when he also acquired control of Société Centrale des Investissements (SCI) with Mr Jean-Marc Vernes, his long-standing French business associate. In August SCI was estimated to have had some FFr7bn in cash at its disposal.

Mr Gardini said GEA would have a $300m capital, owned 80 per cent by SCI, 15 per cent by the three new international partners and 5 per cent by himself. GEA would in turn own 73.3 per cent of GEA France, a French subsidiary shortly to be constituted to hold the majority stakes in the businesses newly acquired from Sucden, Cacao Barry, Sucden's cocoa bean processing subsidiary, plus Vital and Sogeviandes, France's largest private meat trading and processing business.

GEA would also, Mr Gardini said, possess 16.6 per cent of Sucden's holding CFSD and the latter would own a 26.7 per cent cross-holding in GEA France.

"We have asked these new partners to join us because the new world order, which is emerging with the risk of inflation being imported from eastern Europe, requires us to operate on a world scale, and we need people who know these markets and who are familiar with the risks," Mr Gardini said.

Mr Paul Lewis, finance director of Tate & Lyle said his company was less interested in the Sucre et Denrées deal than in the "convenient vehicle" which GSA offered for bringing together the four partners' contacts and insights into world markets.

Close links already exist between the other partners. ADM is Tate & Lyle's largest shareholder, with 6 per cent of its equity. Tate & Lyle and CIP jointly own CST, a leading European starch and sweetener company.

Citroën sees sharp fall in profits

By **Alice Rawsthorn** in Paris

CITROEN, the French car company which is part of the state-owned Renault group, is expected to break even in 1991, after making net profits of FFr1.43bn ($264m) in 1990, because of intense competition in the European car market.

Citroën attributed its poor financial performance to the weakness in its three main markets: France, the UK and Spain. The company managed a small increase in turnover from FFr67.68bn last year to FFr70.92bn this year, but saw its profits collapse.

As a result Citroën, like other carmakers, has been forced to cut costs in an attempt to improve productivity. It reduced its investment from FFr6.7bn in 1990 to an estimated FFr6.1bn this year – representing 8.6 per cent of turnover – and concentrated its expenditure on new products and productivity initiatives.

In the year to December, the number of people employed in the car division fell 1,320 to 33,220 although the group workforce fell overall by 939 to 57,790.

However, Citroën managed to boost productivity by 8.6 per cent in 1991 and hopes to secure a further improvement of 10 per cent next year.

These advances helped increase the efficiency of the Citroën plants. The company said it took five months to increase production of its new ZX, the medium-range car launched last spring to compete against the Volkswagen Golf and Ford Fiesta, to 1,000 models a day.

This compares with eight months to achieve the same production level for the AX in 1987 and 12 months for the BX four years previously.

The contribution from the ZX was one of the main factors helping Peugeot, Citroën's parent company, to stage a modest recovery in sales during the third quarter, thereby slowing down its rate of sales decline for 1991.

Peugeot last month reported a 6.3 per cent increase in sales to FFr37.9bn in the three months to September and a 2.6 per cent fall in sales to FFr118.2bn for the first three quarters of the year.

Citroën maintained production levels at 809,400 models worldwide in 1991 compared with 812,400 in 1990 in spite of the weak level of the European market. The company fared better in France and elsewhere in Europe during the second half of the year than the first.

Preussag to lift year's payout to DM10 a share

By Andrew Fisher in Frankfurt

PREUSSAG, the German steel, trading and energy group, earned a group net profit of DM400m ($250m) in the financial year ended September 30 1991, compared with DM350m in the truncated 1989-90 period, Mr Ernst Pieper, the chief executive, said.

The Hanover-based company is to increase its dividend from DM8 to DM10 a share. Turnover was DM26bn compared with DM19bn in the previous nine months. Preussag changed its year-end after acquiring Salzgitter, the steel and engineering concern, two years ago.

Preussag said it achieved a satisfactory profit in the fourth quarter, with sales up 12 per cent to DM7.4bn compared with the third quarter. Domestic business remained strong, but foreign operations were hampered by the continued weakness of the US economy and some European markets.

Currency and commodity prices were also partly unfavourable. While crude oil prices rose and the dollar was stable, steel prices fell further. Prices of some non-ferrous metals fell to historic lows.

The new order inflow was 4 per cent higher at DM7.4bn, mainly through improved orders in construction technology, a sector which benefited especially from east German business, and the invoicing of large industrial plant contracts. For the full business year, the order inflow was DM28.5bn, in line with expectations.

Way clear for BAT to complete Pecsi deal

By Nicholas Denton in Budapest

THE HUNGARIAN government has cleared the way for BAT Industries, the UK tobacco company, to finalise today the acquisition of Pecsi Tobacco Factory, Hungary's largest cigarette manufacturer.

BAT plans to invest £20m ($36m) in the purchase of a majority shareholding and development of the company.

Multinational cigarette manufacturers believe that the demand in eastern Europe for western brands gives scope for expansion in the region while in western Europe and North America there are likely to be sales declines.

Philip Morris last month purchased Egri Tobacco Factory, Hungary's largest tobacco company by turnover.

Pecsi Tobacco produces 40 per cent of the 26bn cigarettes consumed annually in Hungary. Last year, the company made profits of Ft266m ($3.5m) on turnover of Ft2.5bn.

Olivetti, Gemini Sogetti discuss link

By Robert Graham in Rome

MR CARLO De Benedetti, who a month ago resumed direct control of Olivetti, the Italian computers and office equipment group, yesterday confirmed the group was involved in talks with France's Cap Gemini Sogetti, the leading supplier of software in Europe.

Addressing a parliamentary commission on industry, Mr De Benedetti said: "Yes, we have contacts with the French, but we have not yet signed any letter of intent".

The Italian press yesterday suggested discussions were at an advanced stage with the prospective French partner. Last night, an Olivetti official said talks were going "relatively fast by Italian standards".

In Paris, Gemini Sogetti confirmed these contacts but stressed talks were also being held with other companies.

Olivetti, traditionally strong on hardware, has found this side of its business badly affected by worldwide saturation, and in the first six months of this year recorded a L73.7bn ($60.5m) loss.

The group's declining fortunes forced Mr De Benedetti to assume personal control four weeks ago and on November 29 he carried out a radical re-structuring of Olivetti's operational divisions.

He has been spurred to find a software partner after IRI, the Italian state holding concern, last month rejected overtures about a merger of their respective software interests.

IRI argued that the offer for its software company, Finsiel, was poorly presented and involved Mr Benedetti becoming the effective boss – a development IRI was reluctant to countenance in a "strategic sector".

Behind this lay government wariness towards Mr De Benedetti, regarding him more of a financial engineer than an industrialist.

The proposed deal with Gemini Sogetti would involve Olivetti Information Services (OIS), a division left largely intact by last month's shake-up, precisely against the eventuality of a new alliance.

Mr De Benedetti is reportedly anxious to conclude an agreement quickly because upon this will hinge the shape of major re-organisation plans for the group next year.

This year, Olivetti started off with a worldwide workforce of 58,679 but will end up with some 47,000. Of these job losses, some 3,500 will have been in Italy.

Next year, he told the parliamentary commission, there would be "a vast re-structuring" and the company would be unable to maintain employment levels "when improved technology reduces the need for manpower". In 1991 alone Olivetti will have spent L180bn cutting jobs. The government has helped with its scheme of covering two-thirds of early retirement costs.

La Cinq in talks with Canal Plus

By Alice Rawsthorn in Paris

LA CINQ, the struggling French television channel, yesterday confirmed that it was looking for new investment to stabilise its finances and that it had held talks with Canal Plus, the successful pay-TV station.

Mr Jean-Luc Lagardère, president of Hachette, the French media group which is one of La Cinq's largest shareholders, told a shareholders' meeting in Paris that the channel was looking for new financial partners, preferably for those with experience of television.

La Cinq, which styles itself as a "family" channel but is notorious in France for its soft porn films, has been struggling since its launch in 1986.

The station is on course for losses of at least FFr800m ($148.7m) this year. A cost-cutting package – which could involve 250 job losses among the 700-strong staff – is due to be unveiled next Tuesday.

Hachette, burdened by heavy debts from its other media activities, last year increased its investment in La Cinq and has since run the station. It now holds the maximum 25 per cent stake allowed under French law, as does Fininvest, the company controlled by Mr Silvio Berlusconi, the Italian media magnate.

Mr Lagardère said Hachette was still in charge of La Cinq but would not "take on risks that went beyond the bounds of reason".

Mr André Rousselet, president of Canal Plus, confirmed that he had held discussions about La Cinq in an interview with CB News, the French weekly magazine. "We will look at the La Cinq dossier. Why not?" he said. "But it must make strategic sense."

Dowty changes direction as profits fall 73%

By Roland Rudd in London

DOWTY Group, the UK aerospace components manufacturer, yesterday unveiled a new strategy as it announced a 73.4 per cent fall in pre-tax profits for the six months to the end of September 1991.

The fall in pre-tax profits from £37.9m ($68.22m) to £10.1m was worse than most City of London analysts were expecting.

Mr Bruce Ralph, chief executive, yesterday blamed the disappointing fall in profits on a cutback in government defence spending and a recession in the aerospace industry. The shares fell by 6p to close at 148p on a day in which the London market rallied.

He disclosed that the group is to get out of information technology and electronic systems in order to concentrate on aerospace.

The group is currently in discussions with interested parties about the possibility of establishing a joint venture in IT.

However, it may sell the business, which reported a fall in trading profits to £700,000 from £7.3m.

The defence-related electronics system is likely to prove harder to leave.

Cutbacks in military aircraft requirements and the cancellation of two British Ministry of Defence contracts were the main reason for the fall in trading profit from £7.7m to £3.4m.

The two contracts terminated by the MoD were the torpedo propulsion and magnetic treatment facility contracts.

The group has decided to maintain an uncovered dividend of 3.6p.

Mr Ralph said the decision should be interpreted as a measure of the group's confidence for the future. Sales fell to £331.2m from £358.7m.

The airline depression had badly affected the group's aerospace business which suffered a fall in trading profit to £10.5m from £23.2m due to lower volume.

Mr Ralph said the group would concentrate its resources on both Aerospace and Polymer Engineering, the latter which experienced a small fall in profits to £4.3m from £5.1m.

Borrowing increased from £113m at the last year end to £126m at the half year to give a gearing of 50 per cent.

The main reason for the increase in debt was the £55m investment in the new Montreal factory which will service the Airbus 340 and 330.

The charge for interest increased to £7.5m from £4.9m. Earnings per share fell to 2.1p from 9.3p.

Lex, Page 20

Siemens lifts Nixdorf stake

By Andrew Fisher

SIEMENS said yesterday it owns 95 per cent of the combined voting and preference stock in the loss-making Nixdorf computer company and could thus incorporate it fully into the group.

The German electrical and electronics concern said in October it wanted to lift its 78 per cent stake in Nixdorf - it had 91 per cent of the voting shares - by offering remaining shareholders Siemens shares worth DM225 a Nixdorf share. This was 25 per cent above the market price and valued the outstanding equity at nearly DM2bn ($1.25bn).

The group set up Siemens Nixdorf Informationssysteme (SNI) by combining its computer interests with Nixdorf's. But SNI has been struggling in the wake of its own restructuring and the problems of the industry, turning in a DM780m net loss in the financial year to September 30.

Hartstone in £82.6m purchases

By Peggy Hollinger in London

HARTSTONE, the rapidly-growing UK company headed by former Albert Fisher boss Mr Stephen Barker, is to become Europe's third largest hosiery group, with the acquisition of two continental European companies for a maximum consideration of £82.6m ($148.6m).

The announcement that Hartstone would buy Cogetex, the second-largest French hosiery company, and Aznar, which claims the number two position in Spain, was accompanied by a two-for-five rights issue at 235p to raise £65m. This is Hartstone's second cash call in 10 months.

The group will fund the purchases through proceeds from the rights and bank debt, leaving it about 20 per cent geared.

Mr Barker, who led a management buy-in at Hartstone when it was a loss-making shell three years ago, said the Spanish and French purchases would be the last acquisitions for 12 to 18 months. "We have achieved what we wanted a couple of years earlier than planned," he said. He added there would be no need to call on shareholders for further funds in the near future.

Hartstone has acquired 23 companies since 1989.

The most recent acquisitions would balance Hartstone's sales equally between hosiery and leather goods. The group markets, distributes and sources leather goods, with most business in that division coming from two US companies – Etienne Aigner and Michael Stevens – acquired for £69m in March.

The group is paying up to FFr430m ($79.4m) for Cogetex, which manufactures and distributes women's hosiery and socks under the Wells brand. About FFr50m of the price is contingent on Cogetex making profits of FFr62m this year.

Hartstone will pay up to Pta7bn ($69.3m) for Aznar.

To encourage investors to take up their rights, Hartstone forecast that the dividend for the year to March 31 would be at least 4.875p, a 50 per cent rise on the previous year. The shares fell 3p to 285p in London.

Lex, Page 20

Fortis bid for Nutsspaarbank

By Ronald van de Krol in Amsterdam

THE DUTCH banking arm of Fortis, the Dutch-Belgian banking and insurance group, is holding talks on acquiring Nutsspaarbank, the Netherlands' third-largest savings bank group.

VSB, a Fortis subsidiary which is already the biggest Dutch savings bank group, said the deal, if agreed, would be made through a share swap with Nut-Holding, an unlisted holding company which owns Nutsspaarbank's shares.

Nut-Holding will receive new shares in either Amev, the Dutch insurance company, or AG, its Belgian partner, or possibly both. Amev, which owns VSB, and AG formed Fortis last year. The talks, which will aim to put a value to Nutsspaarbank's business in order to determine the exact terms of the share swap, are expected to be completed in early 1992. Analysts estimated Nutsspaarbank to be worth between Fl 200m ($110m) and Fl 300m.

VSB, with a balance sheet of around Fl 17bn, is three times bigger than Nutsspaarbank. It is one of the largest banks in the Netherlands after the commercial banks ABN Amro, Rabobank and NMB Postbank.

Nutsspaarbank and VSB would retain their own names and operate as independent sister banks.

Nutsspaarbank has 67 branches in and around the cities of The Hague and Leiden. VSB's 300 branches are also concentrated in the densely-populated "Randstad" region of the Netherlands, which includes Amsterdam, Rotterdam and Utrecht as well as The Hague.

East Asiatic sees sales rise

THE EAST Asiatic Company (EAC) expects a 20 per cent increase in sales to DKr19bn ($3bn) this year from DKr15.8bn last year, but pre-tax profits will not keep pace with sales growth, writes Hilary Barnes in Copenhagen.

The group's third-quarter resultspredict that pre-tax profits will be virtually unchanged at DKr630m.

The group aims to attain sales of DKr22bn in 1992, at the same time improving operating profits after depreciation from about DKr670m this year to DKr900m.

Paramount in specialist cable TV joint venture

By Alan Friedman in New York

THE GROWING potential of the US "pay-per-view" cable television market was underscored yesterday by the announcement of a planned joint venture by Paramount Communications and Capital Cities/ABC.

The venture, which is to be managed by Radio Vision International, a music concert promoter, will begin with a Rod Stewart concert in February.

The plan is for the joint venture to specialise in musical events and to distribute them through Viewer Choice and Request TV, two US cable networks.

Pay-per-view allows customers to dial a telephone number which unscrambles the transmission of special movies and events on cable channels. The market at present is estimated at around 20m US homes.

The profit potential of pay-per-view is illustrated by the successful use of the system by Time Warner, which already has special movie channels which charge viewers an average of $4 each time they select a film.

Special events such as boxing matches or concerts attract viewers willing to pay as much as $19.95 per showing.

Paramount owns Madison Square Garden, one of the most important concert venues in New York. Paramount's Hollywood film studio also has an existing relationship with Request TV, a leading pay-per-view cable distributor.

Capital Cities owns the ABC television network and has a variety of shareholdings in cable programming networks, as well as rights to events which will be shown on the new channel.

● Cox Enterprises, the US media group, has acquired a 12.5 per cent interest in the stock of Merrill Lynch's Teleport Communications Group, AP-DJ reports. Terms of the transaction were not disclosed.

Teleport owns and operates fibre-optic network communications systems serving 17 US business centres in and around New York, Boston, Chicago, Los Angeles, San Francisco, Houston and Dallas.

In each city, Teleport builds fibre-optic rings which are used by businesses and long-distance carriers for point-to-point communications lines.

Atlanta-based Cox Enterprises includes 17 daily newspapers, 24 cable television systems and 21 television and radio stations.

Akzo to sell unit to US group

By Ronald van de Krol in Amsterdam

AKZO, the Dutch chemicals group, is to sell its colour concentrates business for the plastics industry to M.A. Hanna, the US speciality chemicals producer, for an undisclosed sum.

The transaction, expected to be completed in the 1992 first quarter, gives Hanna a second important foothold in the European colour concentrates market following its acquisition of Synthecolor, a French colour concentrates maker, in December 1990.

The business to be purchased from Akzo has annual sales of Fl 150m ($83m), generated by plants in Belgium, France, Germany, Sweden and the US with a combined workforce of 460 people. Hanna's Synthecolor unit has sales equivalent to $25m.

Akzo's decision to sell its profitable colour concentrates interests is the logical extension of its move in early 1991 to transfer its engineering plastics business to DSM, a fellow Dutch chemicals group, as part of a wider swap of businesses.

Without the wider engineering plastics business, colour concentrates were no longer a core activity for Akzo.

Colour concentrates are used in liquid form during the process of making plastics, and are widely used by the wire and cable industry.

Winsor advances 21% to HK$142m

By Angus Foster in Hong Kong

WINSOR Industrial, one of Hong Kong's largest textile and garment manufacturers, yesterday announced its first increase in interim profits since 1989. However, the company warned that the outlook remained uncertain.

Winsor reported a 21.4 per cent increase in profits attributable to shareholders of HK$142.6m (US$18.4m) for the six months to the end of September. Turnover grew 14.4 per cent to HK$1.19bn. The interim dividend is being maintained at 20 cents a share.

The company has been hit in recent years by weak demand in the important US market, and declining profitability in Hong Kong because of high inflation and rising wage costs.

Mr T.K. Ann, chairman, said the company's wool spinning and knitting business, however, had rebounded and improved profits, while the finishing division recovered from last year's poor results. However, the sector still faced weak demand and depressed prices.

Profits were also helped by increases in rental and storage income from properties.

EC extends probe into banned sleeping pill

By Paul Abrahams

INVESTIGATIONS into the effects of Halcion, the sleeping pill manufactured by Upjohn, the US drugs group, were extended yesterday by the European Commission.

The commission's committee for proprietary medicinal products decided to assess the risk-benefits of all short-term acting hypnotics.

The committee also confirmed reduction in doses and changes in the packaging of Halcion, the world's best-selling sleeping tablet.

It stressed the importance of only using the product over the short-term, which it defined as less than 11 days. The committee ordered that the clinical use of all hypnotics should continue to be monitored.

Meanwhile, the UK regulatory authorities met again to discuss the ban they imposed on the sale of Halcion in Britain. No decision was announced.

The drug could cause adverse psychological and behavioural reactions. There were as many as 700,000 British patients being treated with Halcion when the ban was introduced in October.

Upjohn is appealing against the ban. Mr Theodore Cooper, chairman, said: "There is absolutely no scientific or medical evidence that warrants the withdrawal of Halcion tablets in the UK or any other country."

Payout halved at Caterpillar

CATERPILLAR, the world's leading maker of earth-moving equipment, said it would halve its quarterly cash dividend to 15 cents in order to protect its cash, writes Barbara Durr in *Chicago*.

The board of directors deemed the move "prudent" in light of an expected significant loss for 1991 and uncertainty over its current labour dispute.

Orion Pictures files for Chapter 11 protection

By Alan Friedman

ORION PICTURES, the largest of the independent Hollywood studios, has filed for protection from creditors under Chapter 11 of the US bankruptcy code.

The company, 68 per cent controlled by Mr John Kluge's Metromedia group, has been teetering on the brink of bankruptcy for several weeks. It has been troubled by nearly $700m of debts and a cash crisis.

Last month, Orion revealed a $48m loss in the quarter to August 31, citing the poor performance of several of its recent films, writedowns of other films, and costs associated with moving its headquarters from New York to Los Angeles.

Orion has distinguished itself as a maker of more quality films than the average Hollywood studio and was well known for successes such as Amadeus, and for having nurtured Mr Woody Allen. However, in a sign of the times, Mr Allen agreed recently to make his next film with Sony's Tri-Star Pictures.

Mr William Bernstein, president of Orion, said the immediate cause of the bankruptcy filing was the breakdown of talks with the holders of $285m of Orion bonds, who were being asked to swap them for equity.

Although Mr Bernstein said Orion hoped to emerge from bankruptcy "with the support of Metromedia", few industry insiders believe Orion is likely to make a comeback. Last August, Metromedia injected $50m of new equity as part of the planned restructuring scheme.

The company recently sold The Addams Family, a comedy, to Paramount Pictures, having previously sold a string of other film distribution rights to Sony's Columbia Pictures.

● THE New York Stock Exchange said it was reviewing the continued listing of Orion Picture bonds and equities in the wake of Orion's Chapter 11 filing.

Shares in the debt-laden independent film company rose yesterday morning by ⅛ to $1¼, presumably because some investors do not accept that Orion will find it difficult to emerge from bankruptcy.

Imperial Oil forecasts operational loss for year

By Robert Gibbens in Montreal

IMPERIAL Oil, Canada's biggest integrated oil company, and one controlled by Exxon of the US, is forecasting a loss on operations for 1991.

The predicted deficit is the result of weak oil and natural gas prices, intense competition in refining and marketing, and weak petro-chemical markets.

"It is a devastating year in terms of profit," said Mr Arden Haynes, chairman, "and all areas of the business are soft. Results would have been worse if Imperial had not made severe cutbacks earlier."

Pay increases are being held to 3 per cent at the operations level, and administrative pay is being frozen. Executives will forego Christmas bonuses.

"The 1992 environment is changing rapidly and not in our favour," said Mr Haynes. "We are re-examining the fundamentals of our business and preparing new plans."

In the first nine months, Imperial reported profits of C$128m (US$113.2m), or 66 cents a share, down from C$582m, or C$3.05, a year earlier, on revenues of $7bn, against $7.9bn.

Both periods included proceeds from asset sales following Imperial's takeover of Texaco Canada for C$5bn.

«Serafino Ferruzzi European Scholarships» 1992-93

I Ferruzzi Finanziaria S.p.A. has decided to award up to 6 scholarships for the 1992-93 academic year to commemorate the late Serafino Ferruzzi, the founder of the Ferruzzi Group. The purpose of launching these scholarships is mainly to encourage post-graduate studies in business administration and finance to improve professional skills for entrepreneurship and management.

II The "Serafino Ferruzzi" scholarships are open to nationals of EEC Member States born after 31 December 1964, who hold a university degree (or equivalent qualification at absolute discretion of the Scholarships Committee) in Economics or similar faculties, Business, Political Science, Engineering, Law, Agriculture, awarded by a university (or equivalent institute) in a EEC country or in the United States, and who intend to follow post-graduate courses of study in one of the EEC Member States (but not in the State of which the applicant is a national), or in the United States.

III The scholarships will cover university - or the selected institute - enrolment and attendance fees, proof of which must be provided. They will include an additional amount to cover travel, living and medical expenses, fixed at a flat rate of 12,000 ECU per annum (gross of tax) for Europe and 15,000 US dollars per annum (gross of tax) for the United States.

IV The "Serafino Ferruzzi" scholarships will be awarded at the complete discretion of the Scholarships Committee on the basis of the applications received. The Scholarships Committee will be appointed by the Chairman of Ferruzzi Finanziaria S.p.A.

V The scholarships will cover the 1992-93 academic year, and at the discretion of the "Serafino Ferruzzi European Scholarships" may be renewed for an additional year upon successful completion of the first year of study.

VI Applications for the Scholarships, written in English, must be received at the following address, not later than 31 January 1992:

"Serafino Ferruzzi European Scholarships"
Gruppo Ferruzzi
Foro Buonaparte 31
20121 Milan
Italy

In addition to the relevant personal data and his/her usual mailing address, the applicant must indicate the university or institute - in conformity with the requirements of Art. II - the applicant wishes to attend and the post-graduate course of study he/she intends to follow. The following documents must be attached to the application: a) photo of the applicant signed by him/her on its reverse side, and a signed photocopy of an identity document; b) original or authenticated copy of the certificate attesting to university studies completed and to academic results achieved; c) when relevant, a note from the employer concerning the applicant's employment; d) a short curriculum vitae in English including reference to university studies completed, publications, research activities, work experience, etc.; e) a report in English not exceeding 2,500 words in which the applicant must describe, when relevant, his/her area of research (including his/her dissertation), and any work experience. The applicant is not required to send publications mentioned in the report.

An applicant is required to nominate two referees and to arrange for each referee to send a letter of recommendation in English directly to the "Serafino Ferruzzi European Scholarships". The "Serafino Ferruzzi European Scholarships" shall, if it deems it necessary, contact the referees in order to obtain additional information about the applicant.

None of the documentation submitted will be returned to the applicant.

VII Successful applicants will be notified not later than 15 April 1992 at the mailing address indicated on their application. They must notify "Serafino Ferruzzi European Scholarships" of their acceptance of the scholarships within 30 days of receiving such notification. No communication will be sent to other applicants.

VIII A holder a "Serafino Ferruzzi" scholarship may not hold any other scholarship, grant or study allowance.
Upon accepting a "Serafino Ferruzzi" scholarship, an applicant will be required to relinquish any other scholarship, grant or study allowance.

IX The applicant will be responsible for obtaining admission to the selected university and course of study.

X The holder of a scholarship will be obliged to follow the study programme indicated in his/her application at the university or institute specified.
Any variations must be approved by "Serafino Ferruzzi European Scholarships". At the discretion of "Serafino Ferruzzi European Scholarships", a successful applicant may be granted a year's postponement before taking up the scholarship.

XI Ferruzzi Finanziaria S.p.A. will pay 50% of the scholarship money in advance, on receipt of the evidence that the scholarship holder has been accepted by the university or institute specified in his/her application. One half of the remaining amount will be paid at the beginning of the academic year and the other half in the middle of the academic year, subject to the provision of evidence of satisfactory attendance at the course of study.

XII A scholarship holder is required to send to "Serafino Ferruzzi European Scholarships" a report on his/her study progress on completion of the first six months of the course of study and a second report at the end of the academic year that must be accompanied by a letter from the student's tutor or supervisor (or equivalent person) reporting on the student's achievement and his/her examination results.

XIII The submission of an application implies acceptance by the applicant of the terms and conditions set out in this Notice.

Milan, 13 December 1991

The Chairman of
Ferruzzi Finanziaria S.p.A.
Arturo Ferruzzi

INTL. COMPANIES AND CAPITAL MARKETS

Aircraft sale underlies Qantas rise

By Kevin Brown in Sydney

QANTAS, the international airline which is being part-privatised by the Australian government, yesterday announced a 1990-1991 net profit of A$44.3m (US$34.2m), up from A$12.1m in the previous year.

However, the airline said the result was struck after pre-tax profits of A$348m from the sale of nine Boeing 747 aircraft as part of a requipment programme, offset by redundancy costs of A$109m.

At the operating level, Qantas lost A$158.6m, compared with a loss of A$119.7m in 1989-1990, reflecting the impact of a sharp decline in passenger numbers during and after the Gulf war.

Mr Bill Dix, chairman, said the "unsatisfactory" result was also due to the lingering effects of a pilots' strike in 1989-1990, and higher fuel costs, which increased the airline's fuel bill by A$118m.

The federal government is seeking trade buyers for up to 49 per cent of Qantas, which is Australia's sole international carrier.

The balance of the shares is expected to be sold after the next general election in 1993.

Mr Dix said the board was disappointed by the government's decision not to allow Qantas to acquire a stake in Australian Airlines, the government-owned domestic carrier which is being 100 per cent privatised.

He said the decision exposed Qantas to a long-term risk of erosion in its share of international passengers.

The government argues that Qantas can defend its market share through marketing agreements with domestic airlines.

The board recommended in a report tabled in federal parliament that no dividend should be paid to the government.

The increased operating loss follows a warning earlier this year that Qantas was facing the worst financial crisis in its 70-year history.

The airline has since rationalised its European routes and announced plans to make up to 5,000 of its 17,000 employees redundant.

Several airlines are believed to be preparing to table preliminary bids for a minority stake in Qantas early next year.

The bidders are expected to include Japan Air Lines and All Nippon Airways from Japan, Singapore Airlines, Air New Zealand, Garuda Indonesia, and Northwest Airlines from the US.

British Airways has also been suggested as a possible buyer.

Jardine seeks approval for listing switch

By Angus Foster in Hong Kong

JARDINE Matheson, the Hong Kong-based trading group, is to ask shareholders for approval to move its primary listing to London after its request for a special "trading only" status on the Hong Kong Stock Exchange was turned down yesterday.

Hong Kong Stock Exchange rejected the request, which would have created a new category of listing for leading companies, after adverse comment on the proposals from market practitioners.

They felt that agreeing to the request would have damaged Hong Kong's reputation and looked like a special deal for Jardine.

However, the exchange said Jardine was welcome to apply for a secondary listing in Hong Kong, where Jardine companies account for about 10 per cent of market capitalisation, if the company moved its primary listing to London.

Mr Greg Terry, legal counsel for Jardine, said the company welcomed the decision, which should bring to an end months of uncertainty about the company's listing status.

Plans are now being drawn up to call a shareholders' meeting to gain approval for the switch to London.

Although the outcome was not exactly what Jardine wanted, the compromise allows both sides to safeguard their interests.

In a stock exchange consultation document listing the various options for dealing with Jardine's request, the exchange said advantages of allowing the company secondary listing status were that the existing regulatory regime remained unaltered.

However, the exchange pointed out the significant disadvantage which is that secondary listings are not designed for companies with the majority of their shareholders and historical roots in Hong Kong.

The exchange said yesterday that when working out the details of Jardine's secondary listing it may be called upon to apply new listing rules to meet the changed situation.

Jardine has already agreed with London the terms under which the primary listing would come into effect. If Jardine wins shareholders' approval, London would automatically take regulatory control over the company.

However, since Jardine is a Bermuda-domiciled company and is therefore not subject to the London takeover code, the company has agreed to remain subject to Hong Kong's takeover rules instead.

Jardine wanted a trading only status in Hong Kong because it feared Chinese interference after 1997. The company's plans have been attacked by China as seeking a special deal before Britain leaves the colony.

Mr Mark Hanson, deputy chief executive of the exchange, said the decision to allow Jardine to switch to a secondary listing would not lead to a flood of Hong Kong companies following suit.

He said companies applying for a secondary listing must have primary listing status on an exchange reckoned to be as good if not better than Hong Kong.

Only a few Hong Kong companies are likely to consider following Jardine's move. Hongkong Bank is the most visible, since it has already switched effective legal domicile to a London holding company.

Sansui Electric president expected to step down

By Robert Thomson in Tokyo

SANSUI Electric, the Japanese consumer electronics company bought by Polly Peck International, indicated yesterday that Mr Tatsuya Inamiya is likely to step down as president, having been disappointed by what he regards as poor communication with Polly Peck's administrators.

While Sansui would not comment formally on reports that Mr Inamiya will be replaced today by Mr Takahiko Inami, the present managing director, company officials said Mr Inamiya was disappointed by a recent agreement to sell 32 per cent of Polly Peck's stake to Grande Holdings, a Hong Kong electronics company.

"We really had very little idea about what was going on," a Sansui manager said. Mr Inamiya is reported to have believed that closer ties with Japanese companies would best serve Sansui's attempts to turn around an expected loss this year of about Y19bn (US$147m).

"Some of our officials have had certain ideas about the rehabilitation of the company, but the administrator has had different ideas," another Sansui official said.

Several Sansui executives were reportedly surprised when Mr Michael Jordan, of Cork Gully, senior administrator for Polly Peck, presented proposals to the Sansui board in late September for Grande, controlled by Mr Stanley Ho, the Macau casino tycoon, to provide a loan of $50m for the 32 per cent stake.

The plan was for Grande, in partnership with Semi Tech, owner of the Singer sewing machine trademark, to increase that stake to 51 per cent before the end of the year.

Hongkong Bank splits roles at the top

By Angus Foster in Hong Kong

HONGKONG Bank is appointing Mr John Gray, deputy chairman, to the role of chief executive from January 1 to relieve the workload on the existing chairman and chief executive, Mr William Purves.

Mr Gray is expected to take responsibility for most day-to-day management of the bank. Mr Purves will remain as executive chairman of Hongkong Bank as well as chairman and chief executive of HSBC Holdings, the bank's London holding company.

This is the first time the bank has split the roles of chairman and chief executive. It reflects the bank's growing size as well as the non-banking responsibilities of the chairman in Hong Kong.

Mr Purves serves as a member of Hong Kong's Executive Council, the Governor's highest advisory body, and sits on several important public bodies. Next year he also takes over as chairman of the Royal Hong Kong Jockey Club.

Mr Gray's appointment will fuel speculation he is being groomed to take over from Mr Purves, who celebrates his 60th birthday this month. Mr Gray, 57, has been with the bank since 1952 and became deputy chairman last year.

In the past, several bank chairmen have retired around their 60th birthday. However, Mr Purves has given no indication he intends to step down in the near future.

● Standard Chartered Asia, the investment bank which has dominated Hong Kong's booming market for initial public offerings this year, has appointed Mr David Stileman as chief executive, AP-DJ reports.

Mr Stileman, 41, currently serves as managing director of the bank, which is part of Standard Chartered Bank. Mr Christopher Wigan, its current chief executive, will remain deputy chairman, based at its London head office.

● Johnson Electric, a Hong Kong micro-motor manufacturer, posted a 21 per cent rise in net profits to HK$119m (US$15m), or 35 cents per share, for the six months to September from HK$98.5m, or 29 cents, a year earlier, AP-DJ reports. Turnover rose by 10 per cent to HK$638m from HK$579m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on December 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¼	105¾	-1	6.90
ALBERTA PROVINCE 9 3/8 95	600	109¼	109⅝	-⅛	6.55
AUSTRIA 8 1/2 00	400	105⅜	105¾	-¼	7.34
BANK OF TOKYO 8 3/8 96	100	104½	105	-¼	7.11
BELGIUM 9 5/8 98	250	111⅝	112		7.32
BFCE 7 3/4 97	150	103¾	104¼		6.83
BNP 8 5/8 94	300	106¼	106⅝		5.97
BRITISH GAS 8 3/8 99	350	105¼	105½	-¼	7.47
CANADA 9 96	1000	108¾	109¼	-⅛	6.51
CCCE 9 1/4 95	300	108⅝	109	-⅛	6.20
COUNCIL EUROPE 8 96	100	105¼	105⅝	-⅛	6.67
CREDIT FONCIER 9 1/2 99	300	111⅜	111¾	-⅛	7.35
DENMARK 8 1/4 94	150	105⅝	106	+⅛	5.90
DENMARK 9 1/4 95	1571	108⅛	108½	-⅛	6.28
ECSC 8 1/4 96	193	106⅜	106¾	+⅛	6.70
EEC 8 1/4 96	100	105⅞	106¼	-⅛	6.72
EIB 7 3/4 96	250	104⅛	104½	-⅛	6.66
EIB 9 1/4 97	1000	110⅝	110¾	-⅛	6.99
ELEC DE FRANCE 9 98	200	108¾	109¼	-⅛	7.20
EURO CRED CARD TST 9 94	325	104⅞	105¼	+½	7.22
EUROFIMA 9 1/4 96	100	108⅝	109¼	+⅛	6.83
EXPORT DEV CORP 9 1/2 98	150	111¼	111½	-⅛	7.30
FINLAND 7 7/8 97	200	103½	104¼	+⅛	7.03
FINNISH EXPORT 9 3/8 95	200	110¼	110¾	+1¼	6.23
FORD CAPITAL 9 3/4 97	250	106⅛	106¼	+⅛	8.24
GEN ELEC CAPITAL 9 3/8 96	300	108¾	109¼	+⅛	6.98
GMAC 9 1/8 96	200	104½	105	-⅛	7.82
GUINNESS FINANCE 8 94	200	104⅛	104¼	-⅛	6.20
IBM INTL FIN 7 3/4 94	200	104¼	104⅝	+⅛	5.74
IND BK JAPAN FIN 7 7/8 97	200	102¾	103¼		7.22
INTER AMER DEV 7 5/8 96	200	103⅝	104	-⅛	6.70
ITALY 8 1/2 94	1500	106⅛	106⅜		5.87
JAPAN DEV BK 8 94	150	104⅞	105¼	-⅛	5.88
KANSAI ELEC PWR 10 96	350	110⅞	111⅜	-⅛	6.97
LTCB FIN 8 97	200	102¼	102¾	-⅛	7.45
NEW ZEALAND 9 94	850	106¾	107¼		6.15
NIPPON CRED BK 10 3/8 95	150	109¾	110¼	+⅛	7.12
NIPPON TEL & TEL 9 3/8 95	200	108⅛	108½	-⅛	6.48
ONTARIO 8 1/2 01	600	103½	103⅞	-⅛	7.94
ONTARIO HYDRO 11 5/8 94	200	110⅝	111	-⅛	6.25
OSTER KONTROLLBANK 8 1/2 01	200	104⅞	105¼		7.73
PETRO-CANADA 7 1/4 96	200	100¾	101¼	-⅛	7.00
QUEBEC HYDRO 9 3/4 98	150	110¼	110⅝	-⅛	7.74
QUEBEC PROV 9 98	200	106⅝	107¼	-⅛	7.63
SAINSBURY 9 1/8 96	150	107⅝	108	-⅛	7.24
SAS 10 99	200	107¾	108¼	+⅛	8.51
SBAB 9 1/2 95	500	109	109⅜		6.49
SNCF 9 1/2 98	150	110¾	111¼	-⅛	7.35
STATE BK NSW 8 1/2 96	200	105	105½	-⅛	7.16
SWEDISH EXPORT 8 3/8 96	700	106⅛	106⅝	+⅛	8.93
TOKYO ELEC POWER 8 3/4 96	300	107¼	107¾	-⅛	6.85
TOKYO METROPOLIS 8 1/4 96	200	105⅝	106¼	-⅛	6.82
WORLD BANK 8 3/8 99	1500	106⅜	106¾	-⅛	7.38
WORLD BANK 8 3/4 97	1500	109¼	109⅝	-⅛	6.73
XEROX CORPN 8 3/8 96	100	102¼	103¾	+⅛	7.65

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101¼	101¾	+⅛	10.68
BK ECON USSR 7 96	750	60	60	-4¾	22.37
BULGARIAN TRADE BK 8 1/2 96	200	85¼	85¾	+1½	12.74
CZECH OBCHODNI BANKA 10 95	350	95¼	95¾	-¾	11.63
DEUTSCHE FINANCE 7 1/2 95	1000	96¾	96⅞		8.67
EIB 5 3/4 98	400	87⅝	87⅞		8.35
EIB 6 7/8 95	300	96⅛	96⅝	+⅛	7.98
EUROFIMA 6 1/4 98	400	89⅛	89⅝		8.45
FIRST INTERSTATE 5 3/4 96	100	86	86	+1	9.80
IND BK JAPAN FIN 5 5/8 96	200	89	89		8.75
IND DEV BK INDIA 6 3/8 94	200	87¾	87¾	-⅛	11.33
LUFTHANSA INT FIN 5 7/8 98	500	86⅜	86⅝		8.75
NACIONAL FINANCIERA 11 95	150	101	101	-⅛	10.60
NAT BK HUNGARY 8 96	200	92⅜	92⅜	+1½	10.04
QUEBEC HYDRO 6 3/4 99	300	89¾	89¾		8.67
SWEDEN 6 1/8 98	300	89⅛	89⅛	+⅛	8.39
WORLD BANK 0 15	2000	18⅛	18⅛	+⅛	7.34
WORLD BANK 5 3/4 96	300	91	91	+⅛	8.39
WORLD BANK 7 1/8 95	500	99⅝	99⅞	+2⅜	7.26

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	87		-½	7.29
AUSTRIA 4 5/8 98	100	88	88½	-½	7.09
CHUBU ELEC POWER 6 3/4 01	300	98½	99¼		6.96
COUNCIL EUROPE 4 3/4 98	250	88¼	88¾	+¼	7.16
EEC 5 1/2 00	100	90	91	-½	7.04
EIB 6 1/2 98	600	98½	98¾		6.78
ELEC DE FRANCE 7 1/4 06	100	101	102	-¼	7.13
FINLAND 5 3/8 95	150	94	95		7.19
GENERAL MOTORS 7 1/2 95	100	98	100		8.19
JAPAN DEV BK 5 1/2 94	100	97¼	97¾		6.90
KOBE 6 3/8 01	240	95¼	96½		7.03
NEW ZEALAND 4 7/8 99	200	86¼	86¾		7.42
QUEBEC HYDRO 5 08	100	73¼	74		7.99
WORLD BANK 5 03	150	83½	84		7.13
WORLD BANK 7 01	600	101½	101¾		6.77

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98¼	98½		5.65
CREDIT FONCIER 5 1/4 94	20000	98¼	98⅝		5.94
DENMARK 7 95	40000	103⅜	103¾		5.70
EIB 4 3/8 94	40000	97¾	98¼		5.98
ELEC DE FRANCE 5 5/8 96	20000	99	99½		5.86
FINLAND 6 3/4 96	50000	102¾	102⅝		6.09
INTER AMER DEV 7 1/4 00	30000	108¼	108¾	+⅛	5.93
KANSAI ELEC PWR 4 5/8 94	60000	97	97¼		6.00
NIPPON TEL & TEL 5 7/8 96	50000	100	100¼		5.87
NORWAY 5 1/8 95	50000	98¼	98½		5.71
SNCF 6 3/4 00	30000	105⅜	105⅝	+⅛	5.90
SWEDEN 5 5/8 95	20000	98¾	99¼		5.96
WORLD BANK 6 3/4 00	50000	105¾	106		5.85

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.68
COPENHAGEN TEL 8 5/8 96 LFr	600	97¾	98¾	-⅛	9.30
WORLD BANK 8 96 LFr	1000	96½	97½	+⅛	8.98
ALBERTA PROVINCE 10 5/8 96 C$	500	106	106⅜	-⅛	8.82
BELL CANADA 10 5/8 99 C$	150	105⅞	106⅜	-⅛	9.48
BRITISH COLUMBIA 10 96 C$	500	104⅛	104½	-⅛	8.82
EIB 10 1/8 98 C$	130	104⅝	105⅛	-⅛	9.10
ELEC DE FRANCE 9 3/4 99 C$	275	103⅝	104⅛	-⅛	9.06
FORD CREDIT CANADA 10 94 C$	100	103¼	103¾	+⅛	8.54
GEN ELEC CAPITAL 10 96 C$	300	103¾	104⅜	-⅛	8.89
KFW INT FIN 10 01 C$	400	103¾	104¼	-⅛	9.36
NIPPON TEL & TEL 10 1/4 94 C$	200	105¼	105¾	-⅛	9.27
ONTARIO HYDRO 10 7/8 99 C$	500	107⅜	107⅞	-⅛	9.41
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅜	105¾	-⅛	9.22
QUEBEC PROV 10 1/2 98 C$	200	105⅜	105⅞	-⅛	9.41
BELGIUM 9 1/8 96 Ecu	1250	100⅜	100⅝	+⅛	8.99
CREDIT LYONNAIS 9 96 Ecu	125	97½	98⅜	-⅜	9.69
DENMARK 7 5/8 96 Ecu	250	92¼	93⅛		9.91
EEC 7 5/8 94 Ecu	200	96½	97	+⅛	9.43
EIB 10 97 Ecu	1125	104⅝	104⅞	+⅛	8.83
FERRO DEL STAT 10 1/8 98 Ecu	500	104½	104⅞	+⅛	9.12
ITALY 10 3/4 00 Ecu	1000	110¼	110¾	+⅛	8.94
UNITED KINGDOM 9 1/8 01 Ecu	2750	102⅜	102¾	+⅛	8.69
BP AMERICA 12 1/4 96 A$	100	109	109½	+⅛	9.54
COMM BK AUSTRALIA 13 3/4 99 A$	100	117¾	117⅞	-⅛	10.36
EKSPORTFINANS 12 3/8 95 A$	75	110⅜	110¾	+⅛	8.74
EUROFIMA 14 5/8 94 A$	75	112¼	112¾		8.70
MCDONALDS CANADA 15 95 A$	100	115¼	116¼	+⅛	9.50
NAT AUSTRALIA BANK 14 3/4 94 A$	150	111	111⅝	+⅛	8.92
STATE BK NSW 14 1/4 99 A$	100	117¾	118¼	-⅛	10.75
UNILEVER AUSTRALIA 12 98 A$	150	108¾	109¼		10.04
VOLKSWAGEN INTL 15 94 A$	100	111⅜	112¼		9.16
ABBEY NATL TREAS 13 3/8 95 £	100	106⅜	107¼		10.73
ALLIANCE & LEICS 11 3/8 97 £	100	101⅛	101⅝		11.02
BRITISH GAS 12 3/4 95 £	300	105⅞	106¼	+⅛	10.44
DEUTSCHE BK FIN 11 94 £	225	101¼	101⅝	+⅛	10.28
EIB 10 97 £	536.5	99⅛	99⅝	+⅛	10.11
FINLAND 10 1/8 97 £	100	100	100½	+⅛	10.10
INTER AMER DEV 11 3/8 95 £	75	102¾	103⅛	+⅛	10.30
ITALY 10 1/2 14 £	400	99⅛	99⅝	-⅛	10.57
LAND SECS 9 1/2 07 £	200	86¼	86⅝	+⅛	11.42
NORWAY 10 1/2 94 £	200	100¾	101¼	+⅛	10.06
ONTARIO 11 1/8 01 £	100	103⅜	103¾	+⅛	10.52
SEVERN TRENT 11 1/2 99 £	150	102⅝	103	+⅛	10.94
SKANDINAVISKA ENSK 13 1/8 95 £	100	105½	106	+⅛	10.96
TOKYO ELEC POWER 11 01 £	150	103⅝	104⅛	+⅛	10.36
WORLD BANK 11 1/4 95 £	100	102⅝	103⅛	+⅛	10.25
ABBEY NATIONAL 0 96 NZ$	100	64	65		9.72
BNP 12 96 NZ$	50	109½	110½		9.22
CEPME 10 95 FFr	2000	102	102⅜	+⅛	9.27
ELF-AQUITAINE 9 99 FFr	600	98¾	99⅛	+⅛	9.19
EURATOM 7 5/8 98 FFr	500	92¼	93¼	+⅛	9.24

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.53	99.63	10.6425
BANCO ROMA 0.03 01	200	91.50	92.50	6.4675
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5000
BFCE -0.02 96	350	100.19	100.29	4.9175
BNP 05	300	95.88	96.38	5.5625
BRITANNIA 1/10 96 £	150	99.08	99.28	10.6625
CCCE 06 ECU	200	99.91	100.01	10.1563
CITIZENS FED 0.15 96	100	99.57	99.95	5.9625
CREDIT FONCIER -1/16 98	200	100.27	100.37	5.3438
DENMARK -1/8 96	1000	99.82	99.92	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.98	100.05	9.5156
ELEC DE FRANCE 1/8 99	400	100.58	100.95	6.0625
FERRO DEL STAT 94	200	100.63	100.88	5.9375
HALIFAX 1/10 94 £	200	99.95	100.05	10.5375
IRELAND 98	300	99.50	99.60	6.4400
ITALY 00	500	100.41	100.51	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.33	99.43	10.4375
LLOYDS BANK 1/10 PERP S.3	600	79.75	81.75	6.0375
MITSUI FIN ASIA 1/8 96	100	99.83	99.93	5.9375
MORGAN (JP) 1/4 97	250	99.06	99.56	5.2500
NAT WEST FIN 3/16 05	400	91.00	92.00	5.5000
RENFE 98	500	100.00	100.10	5.0000
SOCIETE GENERALE 96	300	99.54	99.64	5.6250
STATE BK VICTORIA 0.05 99	125	98.33	98.58	6.4875
UNITED KINGDOM -1/8 96	4000	99.96	99.99	5.2500
YORKSHIRE BS 1/10 94 £	165	99.58	99.68	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125¼	127¼	
CHUBB CAPITAL 6 98	250	86	101¾	102¾	+30.28
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	89¾	90½	+16.50
EASTMAN KODAK 6 3/8 01	300	50.67	101¾	102¾	+13.31
GOLD KALGOORLIE 7 1/2 00	65	1.0554	80¼	81¼	+85.34
HANSON 9 1/2 06 £	500	2.5875	93	93¾	+29.55
HAWLEY 6 02 PREF	400	19.1	76	79¼	
HILLSDOWN 4 1/2 02 £	150	3.97	114¾	115¾	
LAND SECS 6 3/4 02 £	84	6.72	82¼	83¼	+17.42
LASMO 7 3/4 05 £	98	5.64	74¾	76	+70.97
MITSUI BANK 2 5/8 03	200	2337¼	88¾	90½	+16.11
MOUNT ISA FIN 6 1/2 97	100	2.283	88¾	89¾	+28.61
OGDEN 6 02	85	39.077	77¼	78¾	+67.98
SMITH & NEPHEW 4 02 £	90	1.775	118¾	119¾	+62.25
SUMITOMO BANK 3 1/8 04	300	3606.9	71¾	72¾	+25.95
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	88¼	89¾	
THORN EMI 5 3/4 04 £	103	7.45	117¼	118¼	+16.50

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.12.91: Pool purchase price £/MWh	Final Prices for Trading on 15.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.73	16.49	16.49
0100	17.80	18.90	21.23
0130	19.62	21.00	23.36
0200	19.62	21.00	23.36
0230	17.91	18.90	21.21
0300	18.86	18.60	20.90
0330	17.91	16.45	16.45
0400	17.59	16.34	16.34
0430	17.45	16.30	16.30
0500	17.46	16.29	16.29
0530	17.32	16.46	16.46
0600	17.32	16.46	16.46
0630	17.32	16.46	16.46
0700	18.77	19.28	21.60
0730	21.26	20.62	23.00
0800	24.18	21.18	23.61
0830	28.90	21.78	24.20
0900	32.92	21.80	24.25
0930	41.36	25.41	27.99
1000	40.93	25.43	28.01
1030	28.93	25.43	28.01
1100	25.68	25.45	28.04
1130	25.20	25.50	28.10
1200	24.81	26.21	28.85
1230	24.48	26.18	28.81
1300	22.69	26.12	28.70
1330	21.07	21.79	24.20
1400	21.05	21.12	23.51
1430	20.47	21.12	23.49
1500	20.47	21.11	23.49
1530	17.71	20.81	23.18
1600	19.70	17.18	17.18
1630	58.77	23.22	26.32
1700	94.39	37.98	43.27
1730	105.41	40.65	46.05
1800	82.47	38.99	44.07
1830	45.75	31.37	34.72
1900	28.98	25.92	28.50
1930	23.65	23.68	26.11
2000	23.14	20.82	23.16
2030	20.44	19.76	22.09
2100	19.79	19.28	21.60
2130	18.71	18.82	21.13
2200	18.71	18.47	20.78
2230	19.58	16.53	16.53
2300	17.11	16.45	16.45
2330	17.02	16.34	16.34
2400	17.02	16.34	16.34

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

EC, World Bank plan deals in Ecu and dollar sectors

By Simon London

NEW issue activity in the international bond market yesterday showed signs of slowing towards the year-end, although top supranational borrowers are planning deals in both the Ecu and dollar sectors.

The European Community looks likely to launch a Ecu250m deal early next week, although it is unclear if it will launch a fresh issue or a fungible tranche of an outstanding deal. The EC has a specific requirement for funding: the cash will be lent-on to Algeria as the first tranche of a Ecu400m loan programme signed in September to support the country's economic development.

The World Bank has begun to discuss its next global bond issue with leading Eurodollar firms, suggesting a deal could be launched early in the New Year. Demand for Eurodollar paper is most buoyant at around the five-year maturity. However, the World Bank may be keen to lock into long-term

INTERNATIONAL BONDS

funding while US interest rates are at low levels.

Yesterday, Cassa di Risparmio di Torino, the Italian savings bank, launched a $100m six-year deal, lead-managed by Nomura International. The bonds carry a coupon of 7⅛ per cent and were priced to yield 83 basis points more than US Treasury bonds. The deal was supported by other financial institutions hungry for high-yielding paper and traded near the fixed re-offer price.

Copene Petroquimica do Nordeste, the Brazilian chemicals group, added its name to the list of Latin American companies which have raised international funding. It launched a $50m two-year issue lead-managed by Chase Investment Bank. The paper pays a semi-annual coupon of 11 per cent and was re-offered to investors at a fixed price of 96.994 for a semi-annual yield of 12.75 per cent.

The yield spread was more than 7 per cent over US government bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Cassa di Risparmio di Torino(a)†	100	7⅛	101.30	1997	1⅞/1⅛	Nomura Int.
Copene-Petro.d'Nordeste(b)†	50	11	96.994	1993	1½/1⅛	Chase Investment Bk
FRENCH FRANCS						
Compagnie Bancaire(c)†	500	9¾	101.905	1996	(c)	Credit Lyonnais
D-MARKS						
Dresdner Finance BV(a)♦	500	zero	63	2002	-	Dresdner Bank
SWISS FRANCS						
Maipara Construction(d)★★♦	60	4¾	100	1996	-	Coutts & Co.
Mikimoto Pharmaceutical(a)★★†	10	7½	99¾	1997	-	Dai-Ichi Kgo.Bk (Schweiz)
YEN						
Seiyo Food Systems(a)★★†	15bn	6.5	101.55	1999	1⅞/1½	Kankaku (Europe)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon payable semi-annually. Non-callable. c) Fungible with existing FFr1.4bn deal. Management & underwriting fee - 1⅞%, no selling concession fee. Non-callable. d) Callable 8/1/94 at 101% declining ¼% semi-annually.

Kuwait to receive loan of $5.5bn

By Tracy Corrigan in Kuwait City

KUWAIT'S immediate financing needs will be met by a series of export credit lines totalling $5.5bn.

Speaking at the signing of Kuwait's $5.5bn medium-term loan in Kuwait City yesterday, Mr Abdullah Al-Gabandi, managing director of the Kuwait Investment Authority (KIA), said he did not think Kuwait would need to return to the market in the near future.

Kuwait has completed export credit agreements with the US ($2bn), Canada ($500m) and Japan ($1bn), and is to sign agreements with the Netherlands and the UK in January, each totalling $1bn. Further agreements with France and Germany are in the pipeline.

Kuwait hopes that oil revenues, which are rising more quickly than had been expected, will cover reconstruction costs, Mr Al-Gabandi said.

Oil production is now running at 500,000 barrels a day, excluding the neutral zone. It is projected to reach 1m barrels a day by the end of June, and 1.5m barrels a day by the end of 1992.

Mr Al-Gabandi hopes Opec will increase Kuwait's 1.5m barrels-per-day oil quota, given that Kuwait lost oil production for a year.

Meanwhile, Kuwait's commitment to pay $22bn towards the cost of the Gulf war's Desert Storm and Desert Shield operations will be fulfilled in 10 days' time. Only a small amount remains to be repaid.

● Banks started bidding yesterday to arrange an $800m loan to Kuwait Airways to finance the purchase of aircraft from Airbus Industrie.

Airbus Industrie won a $2bn order from Kuwait Airways in June for up to 24 aircraft, the largest order ever placed by the Kuwaiti national carrier.

Kuwait Airways has placed firm orders for three A320 narrow-bodied aircraft, three A310 wide-bodied airliners and five A300 wide-bodied aircraft as well as four A340 four-engined long-range aircraft. It has also taken options for a further nine Airbus aircraft.

There are believed to be 12 banks bidding for the financing deal including three Kuwaiti banks and three UK banks.

S Korea to raise limit on foreign ownership

By John Ridding in Seoul

SOUTH KOREA is raising the limit on foreign ownership in more than 40 of the country's biggest companies in an attempt to increase the attraction of the opening of its stock market to foreign investment.

Under guidelines released yesterday by the Ministry of Finance, Korean companies which have issued overseas securities or which have direct strategic investments by foreign companies, will see their limits for foreign ownership raised from 10 per cent to 25 per cent when the stock market opens next month.

Foreign investors and foreign securities companies welcomed the change. "It has to be good news," said Mr Torquil McAlpine, chief representative of Schroders in Seoul. "It indicates that the regulatory authorities are prepared to be flexible."

The original investment guidelines, under which foreigners would be able to purchase a maximum of 10 per cent of the outstanding shares of Korean companies, were criticised by foreign investors. They argued that many of Korea's biggest companies had already breached this limit through outstanding Euromarket issues or through equity participation with foreign partners.

Yesterday's announcement may reflect concern about foreign investors' lack of enthusiasm for Seoul's market opening plan. It may also be an attempt to help revive the flagging stock exchange which has been one of the few Asian markets to fall this year.

The market closed up 12.3 points yesterday at 653.4. This compares with a level at the beginning of the year which was just short of 700.

Analysts in Seoul said the change in the guidelines would affect about 46 companies, including blue chip companies such as Samsung Electronics and Hyundai Motors.

● Treasury Corp of Victoria, the new borrowing authority for the Australian state of Victoria, will begin operating on February 1 next year, Reuter reports.

European markets show fresh gains

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets showed steady gains for the second day running yesterday following the outcome of the Maastricht summit where EC leaders agreed on monetary union by 1999.

Strong demand for German

GOVERNMENT BONDS

government bonds helped to push up prices yesterday, with traders reporting keen interest in short-dated paper, particularly from central banks which are eager to lock into the high interest rates. The Liffe bund futures contract opened at 86.41 and traded up to 86.61.

In France, the futures contract on the Matif exchange rose from its close on Wednesday of 106.54 to 106.9 yesterday. The yield on the 9½ per cent French Treasury bond due 2001 moved from 8.84 per cent to 8.81 per cent, and the yield spread of 10-year French government bonds over German bunds narrowed for the second consecutive day, from 58 basis points to 55 basis points.

The Dutch government bond market closed up on the day following strong demand from international investors. Traders said investors were attracted by the yield spread over 10-year German bunds which has widened to 54 basis points, close to the widest spread so far this year. Traders expect an announcement of new 10 and 15-year Dutch bonds to be made today.

■ THE UK government bond market made further gains yesterday, helped by the strength of sterling and positive reaction to the Maastricht agreement, with long-dated gilts rising by a quarter of a percentage point.

"The successful outcome of the Maastricht summit will help the Conservative Party to present a more unified front in the run-up to a general election," said one trader, adding that this would help sentiment in the gilt market.

Although the gilt market opened slightly weaker on profit-taking, it soon recovered and gained nearly half a percentage point at one stage.

The Liffe gilt future contract opened at 96.00 and traded up to 96.13 by late afternoon, breaking through the important resistance level of 96.08. The benchmark 11¾ per cent due 2003/07 climbed from an opening level of 114$\frac{5}{32}$ to 114$\frac{7}{16}$ by late afternoon yielding 9.59 per cent.

■ SENTIMENT in the Japanese government bond market continues to be buoyed by hopes of lower short-term interest rates, although prices in the cash and futures markets closed unchanged on the day. The yield on the benchmark No 129 closed at 5.615 per cent, and the March futures contract ended at 101.4.

Hopes were raised on Wednesday that the Bank of Japan would allow money market rates to fall, following a Japanese news service report. Although the report was later denied by the Bank of Japan, the bond market remained optimistic about lower interest rates.

The three-month certificate of deposit rate slipped from 6.12 per cent to 6.07 per cent although the overnight call money rate inched up from 6$\frac{11}{16}$ per cent to 6$\frac{3}{4}$ per cent.

■ US bond prices firmed at the long end yesterday in the wake of a series of conflicting economic statistics.

By midday, the benchmark 30-year Treasury issue was up ⅛ at 102⅝, yielding 7.788 per cent. The two-year note, however, eased $\frac{1}{32}$ to 100$\frac{15}{32}$, yielding 5.026 per cent.

The 30-year issues were buoyed by the latest inflation news from the Labor department, which reported that producer prices rose just 0.2 per cent last month providing further evidence that inflationary pressures in the economy continue to ease.

Other economic news was less positive for the market, in particular the higher-than-expected 0.3 per cent rise in November retail sales. Short-term notes fell on the retail sales figure because it was feared the data might persuade the Federal Reserve to delay any decision to cut the discount rate.

The announcement of a 61,000 fall in jobless insurance claims in the last week of November appeared bad for the market on the surface, but because of distortions caused by the Thanksgiving holiday the numbers had little effect on sentiment.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.5015	-0.210	9.69	9.51	9.64
BELGIUM		9.000	06/01	99.4500	+0.250	9.07	9.12	9.01
CANADA *		8.500	04/02	99.8000	-0.100	8.53	8.50	8.45
DENMARK		9.000	11/00	100.6750	+0.275	8.88	9.04	8.85
FRANCE	BTAN	8.500	11/96	97.7068	+0.113	9.09	9.15	8.89
	OAT	9.500	01/01	104.3100	+0.240	8.72	8.92	8.76
GERMANY		8.25	09/01	100.1000	+0.300	8.22	8.27	8.23
ITALY		12.000	06/01	97.1200	+0.300	12.53	12.63	12.49
JAPAN	No 119	4.800	06/99	94.0709	+0.026	5.34	6.01	6.17
	No 129	6.400	03/00	104.3729	-0.092	5.63	5.70	5.84
NETHERLANDS		8.500	03/01	98.5500	+0.300	8.73	8.76	8.72
SPAIN		11.900	07/96	100.9000	+0.250	11.57	11.91	11.64
UK GILTS		10.000	11/96	101-02	+0.125	9.72	9.83	9.66
		10.000	02/01	102-12	+0.219	9.60	9.73	9.65
		9.000	10/08	96-22	+0.313	9.35	9.50	9.50
US TREASURY *		7.500	11/01	102-08	+4/32	7.18	7.20	7.37
		8.000	11/21	102-15	+8/32	7.79	7.86	7.81

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Structure of securities industry queried

By Richard Waters

THE UK's Securities and Investments Board yesterday raised the most searching questions yet about the structure of the UK's securities industry, although it backed away from questioning directly the ability of full-service investment houses to provide an adequate service.

The UK's chief investment regulator raised concerns among integrated securities firms, which were created after the UK's Big Bang reforms five years ago, by asking if they should be banned from undertaking certain types of broking activity. By implication, this raised the question if they should be allowed to conduct any broking business if they also acted as market-makers.

However, in a discussion paper published yesterday on the subject, the SIB shied away from raising the issue directly. Instead, it raised the possibility that independent brokers should be allowed to "tie" to a particular market-maker, allowing them to channel all business to a particular market-maker rather than spread it around the market and benefit financially from the arrangement – effectively replicating the same structure that already exists in integrated houses. If adopted, this could lead to the end of independent brokers in the UK – although the regulators believe investors will be prepared to pay more for fully independent firms if they consider the service important.

The debate has been raised in the context of soft commissions – arrangements under which brokers refund a proportion of the commissions they receive to their clients in the form of services. Comments on the paper – *Soft Commission – Recent Developments* – must be made by January 10.

GPA raises $500m through US bond issue

By Roland Rudd

GPA, the aircraft leasing group, yesterday said it had raised $500m through a US bond issue.

The seven-year 8.75 per cent notes were priced by Merrill Lynch at 2.125 per cent over the seven-year US Treasuries. The proceeds of the offering will be used for general corporate purposes, including financing aircraft acquisitions.

GPA, the world's largest operating lessor of aircraft, plans a worldwide flotation next summer.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Thursday December 12 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Dec 11 Index No.	Tue Dec 10 Index No.	Mon Dec 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	743.84	+2.1	9.16	6.49	13.96	34.30	728.51	730.46	732.22	725.36
2 Building Materials (23)	894.02	+2.9	7.80	6.97	17.31	46.51	869.19	869.77	869.51	982.54
3 Contracting, Construction (29)	916.91	+0.7	8.17	8.26	17.95	51.42	910.73	917.04	914.08	1138.43
4 Electricals (10)	2365.15	+1.7	10.20	6.26	12.49	98.23	2326.37	2344.31	2356.61	1923.00
5 Electronics (25)	1648.63	+1.8	11.22	5.23	11.30	53.94	1618.73	1620.54	1632.72	1549.67
6 Engineering-Aerospace (8)	333.33	+0.9	16.82	7.80	7.18	18.52	330.45	325.99	326.65	400.00
7 Engineering-General (43)	454.40	+0.9	10.60	5.52	11.65	18.20	450.13	451.95	452.13	370.00
8 Metals and Metal Forming (9)	304.06	+2.4	2.15	11.57	–	25.83	297.05	300.50	301.81	401.45
9 Motors (12)	284.84	+1.5	9.09	8.45	14.61	17.56	280.57	278.60	278.58	292.77
10 Other Industrial Materials (20)	1501.72	+3.0	7.97	5.46	14.92	59.05	1458.65	1468.09	1473.60	1267.37
21 CONSUMER GROUP (190)	1546.96	+1.7	7.60	3.65	16.24	40.73	1521.14	1535.17	1545.03	1233.36
22 Brewers and Distillers (23)	1898.62	+0.8	8.92	3.73	13.55	49.14	1883.14	1885.33	1888.10	1588.39
25 Food Manufacturing (19)	1210.33	+1.7	9.50	4.18	12.99	37.32	1190.34	1191.28	1184.90	1035.21
26 Food Retailing (17)	2375.91	+2.3	9.76	3.49	13.31	65.37	2323.38	2342.40	2366.83	2271.53
27 Health and Household (23)	4137.14	+2.3	4.98	2.33	23.08	72.62	4043.39	4087.80	4140.27	2584.44
29 Hotels and Leisure (24)	1193.37	+2.5	8.55	5.68	14.48	45.61	1164.71	1197.02	1216.49	1229.97
30 Media (25)	1382.63	+0.3	7.39	5.15	17.71	48.36	1378.76	1402.02	1419.26	0.00
31 Packaging, Paper & Printing (17)	720.70	+0.5	7.49	4.61	16.18	24.43	716.78	724.01	721.40	525.71
34 Stores (32)	977.67	+1.9	7.74	3.80	17.01	26.77	959.41	970.61	972.71	794.03
35 Textiles (10)	595.49	+2.0	7.78	5.21	16.40	22.28	583.80	590.61	594.52	399.78
40 OTHER GROUPS (112)	1171.39	+1.5	10.28	5.72	12.29	40.33	1154.07	1156.43	1156.84	1026.02
41 Business Services (13)	1399.61	+0.9	7.21	4.76	17.61	46.93	1387.71	1371.40	1377.00	0.00
42 Chemicals (21)	1351.39	+0.9	7.38	5.43	16.81	54.35	1338.77	1337.13	1353.57	1093.00
43 Conglomerates (11)	1261.74	+2.2	11.55	8.52	10.64	44.87	1234.85	1265.06	1270.17	1323.79
44 Transport (14)	2234.42	+1.7	5.74	5.06	22.93	79.12	2197.01	2193.07	2188.23	1920.87
45 Electricity (16)	1205.80	+2.5	14.95	6.08	8.70	27.53	1176.05	1163.83	1146.62	0.00
46 Telephone Networks (4)	1384.72	+0.8	11.33	4.53	11.52	30.42	1373.49	1367.16	1367.85	1159.80
47 Water (10)	2256.34	+2.7	18.79	7.03	5.87	151.44	2197.44	2189.97	2170.90	2172.27
48 Miscellaneous (23)	1714.58	+1.4	5.84	5.79	23.57	75.10	1690.74	1729.62	1734.78	1610.24
49 INDUSTRIAL GROUP (481)	1225.40	+1.7	8.73	4.80	14.36	39.66	1204.83	1211.85	1216.51	1046.06
51 Oil & Gas (19)	2168.97	+1.8	11.91	6.47	11.10	104.27	2130.11	2138.48	2161.56	2276.43
59 500 SHARE INDEX (500)	1308.56	+1.7	9.09	4.99	13.90	44.82	1286.43	1293.64	1299.63	1147.61
61 FINANCIAL GROUP (91)	703.00	+1.1	–	6.63	–	34.41	695.15	693.26	700.38	730.33
62 Banks (9)	815.33	+1.7	4.89	6.51	40.09	38.97	801.71	798.57	804.33	783.27
65 Insurance (Life) (7)	1388.45	+1.5	–	6.10	–	63.68	1368.09	1353.32	1384.01	1311.19
66 Insurance (Composite) (7)	503.52	——	–	8.66	–	32.94	503.51	503.75	512.80	631.07
67 Insurance (Brokers) (10)	988.61	+1.8	8.27	6.77	15.93	49.46	970.72	976.68	985.34	972.51
68 Merchant Banks (7)	452.16	-0.4	–	4.76	–	16.06	453.79	453.36	448.84	356.33
69 Property (35)	822.85	+0.8	6.03	5.73	24.37	33.34	815.94	815.24	823.66	991.58
70 Other Financial (16)	229.31	——	11.55	7.63	10.89	13.03	229.18	230.30	229.59	255.31
71 Investment Trusts (69)	1140.99	+1.5	–	3.80	–	31.82	1124.47	1127.76	1134.08	1024.76
99 ALL-SHARE INDEX (660)	1164.10	+1.6	–	5.16	–	41.78	1145.30	1150.47	1156.61	1044.39

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 11	Dec 10	Dec 9	Dec 6	Dec 5	Year ago
FT-SE 100 SHARE INDEX‡	2423.3	+43.1	2424.0	2378.1	2380.2	2392.0	2409.6	2388.7	2407.0	2172.2

FIXED INTEREST

PRICE INDICES	Thu Dec 12	Day's change %	Wed Dec 11	Accrued interest	xd adj. 1991 to-date
British Government					
1 Up to 5 years (27)	122.41	+0.06	122.34	2.55	10.97
2 5-15 years (27)	136.01	+0.26	135.66	2.65	12.45
3 Over 15 years (8)	143.87	+0.24	143.52	1.25	13.28
4 Irredeemables (6)	159.33	+0.29	158.88	1.47	13.68
5 All stocks (69)	133.96	+0.19	133.71	2.53	12.16
Index-Linked					
6 Up to 5 years (2)	167.05	-0.03	167.10	0.73	3.16
7 Over 5 years (9)	148.08	-0.09	148.22	1.13	4.00
8 All stocks (11)	149.57	-0.08	149.69	1.06	3.96
9 Debs & Loans (62)	113.68	+0.03	113.64	1.73	10.75

AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 12	Wed Dec 11	Year ago (approx.)
British Government				
1 Low	5 years	8.68	8.73	9.62
2 Coupons	15 years	9.37	9.39	10.02
3 (0%-7¾%)	20 years	9.37	9.39	10.04
4 Medium	5 years	9.71	9.75	10.85
5 Coupons	15 years	9.48	9.52	10.34
6 (8%-10¾%)	20 years	9.44	9.48	10.24
7 High	5 years	9.94	9.97	10.97
8 Coupons	15 years	9.54	9.58	10.52
9 (11%-)	20 years	9.48	9.51	10.39
10 Irredeemables	†	9.57	9.59	10.27
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.98	3.97	4.02
12 Inflation rate 5%	Over 5 yrs.	4.35	4.34	4.12
13 Inflation rate 10%	Up to 5 yrs.	3.38	3.36	2.81
14 Inflation rate 10%	Over 5 yrs.	4.18	4.17	3.94
15 Debs &	5 years	11.28	11.28	12.52
16 Loans	15 years	11.10	11.10	12.32
17	25 years	10.92	10.92	12.13

‡Opening index 2384.0; 9 am 2378.8; 10 am 2387.5; 11 am 2397.2; Noon 2404.6; 1 pm 2404.9; 2 pm 2409.3; 2.30 pm 2409.6; 3 pm 2409.5; 3.30 pm 2424.0; (a) 4.09pm (b) 8.51am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	11	17
Other Fixed Interest	6	3	10
Commercial, Industrial	349	147	999
Financial & Property	181	61	533
Oil & Gas	17	10	65
Plantations	0	0	10
Mines	17	50	85
Others	22	42	83
Totals	645	324	1,802

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

LONDON TRADED OPTIONS

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Lonrho (*162)	160	6½	15	21	4½	17	21½
	180	1¼	8½	13½	20½	32	34½
Eurotunnel (*366)	360	7½	30	43	14½	25½	31½
	390	2½	20½	30½	26½	38	48½
Glaxo (*815)	800	20½	63½	90½	9½	40	46½
	850	4	40	66½	43½	65½	70½
Hawker Sidd. (*738)	700	36½	49	63½	¾	3½	8½
	750	3½	12	20½	19	21½	28½
Hillsdown (*172)	160	12½	19	22	1	2¾	6½
	177	–	9	–	–	9½	–

December 12 Total Contracts 28 122
Calls 13 001 Puts 15 121
FT-SE Index Calls 4,368 Puts 3,461
Euro FT-SE Calls 133 Puts 198
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

● First Dealings Dec. 2
● Last Dealings Dec. 14
● Last Declarations Mar. 5
● For settlement Mar. 16

For rate indications see end of London Share Service

Calls in: ASDA, A.Fisher, Burton, Dowty, Ex.Co. Louisiana, Hanson New Wts., Lovell (Y.J.), Next, Premier, Steetly. Put in: Alexandra Workware. Put & Call: Lonrho.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	ICI	85	Reed Intl	35
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53
Aetec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	39
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11
BOC	48	FNFC	10	Lonhro	20	Tesco	21
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65
Barclays	34	GKN	28	Marks Spencer	21	T & N	14
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60
Boots	55	GEC	16	NatWest Bank	26	Vickers	18
Brit Aerospace	35	Glaxo	110	P & O Dfd	41	Wellcome	60
British Steel	10	Grand Met	67	Racal Elect	6	■ PROPERTY	
Brit Telecom	33	GRE	14	RHM	23	Brit Land	27
Cadburys	35	Hanson	17	Rank Org	55	Control Sec.	2
		Hawker Sidd	55	Ratners	12	Land Sec	41

MEPC	42
Mountleigh	4
■ OILS	
Aviva Pet	3
BP	28
Burmah Castrol	47
Conroy Pet	8
Gaelic Res	1
Premier Cons	4
Shell	40
Tuskar Res	1
Ultramar	20
■ MINES	
RTZ	48

COLLAPSE OF THE MAXWELL EMPIRE

When's a finance chief not a finance chief?

MR ROBERT Bunn, the finance director to the late Mr Robert Maxwell's sprawling private empire, yesterday attempted to lay the blame for one of the century's largest thefts entirely on the former publisher's shoulders.

Through the use of "bullying tactics" and the careful isolation of his senior aides, Mr Maxwell completely controlled the flow of cash to and from his private companies and did so up until his death on November 5, Mr Bunn said.

In his first press interview since the collapse of the Maxwell companies, Mr Bunn also told the Financial Times that Mr Kevin Maxwell was unaware of the extent of his father's transactions.

Mr Robert Maxwell was the only person who authorised the transfer of cash and assets from the pension funds of the publicly quoted Mirror Group Newspapers and Maxwell Communication Corporation and their pension funds.

Furthermore, Mr Maxwell isolated his senior aides – and even Mr Kevin Maxwell – in such a way that Mr Bunn was unable to identify the source of large payments into the key Maxwell private companies, Mr Bunn claimed.

"I am not saying we are blameless, but Robert Maxwell isolated us in boxes and we did not know the extent of what was happening," Mr Bunn said.

He firmly blamed Mr Robert Maxwell for the disappearance of assets from Bishopsgate Investment Management, the manager and trustee of about £727m of pension funds. BIM went into administrative receivership this week with at least £327m still unaccounted for.

"All investment decisions were made by Robert Maxwell – he used to buy and sell shares without talking to other people and we would just get the contract note," Mr Bunn said.

In particular, Mr Bunn said the treasury departments, which controlled the cash, were forbidden from reporting to anyone other than Mr Maxwell, and that he, as finance director, was expressly kept in the dark. He described himself as "effectively finance director of the private companies but not in the normal sense of being in control of all the finances".

Mr Bunn said he frequently clashed with Mr Maxwell over BIM's investment policy and was particularly concerned about the degree of "self-investment" in MCC and other related companies.

Mr Bunn resigned from BIM in September 1990 but in May 1991 was appointed to the board of London & Bishopsgate International Investment, another fund manager controlled by Mr Robert Maxwell. He was told LBII would cease trading.

Mr Bunn said that since the death of Mr Maxwell, a clearer picture of the Maxwell transactions had developed as he had been able to sit down executives like Mr Michael Stoney and other senior finance executives in the private Maxwell empire.

Mr Maxwell sometimes simply transferred assets in the form of shares from BIM, Mr Bunn said. But Mr Maxwell had also received legal counsel saying that the stock lending was within the law. Normal stock lending, which the Bank of England encourages, involves a money broker as intermediary and market maker, and an unidentified borrower.

"Collateral was given but subsequently we discovered that collateral disappeared later on," Mr Bunn said. As late as June 1991, Mr Trevor Cook, a BIM director and MGN's pension fund manager, had confirmed that the operations were fully collateralised.

There was no stock lending before Mr Bunn resigned from BIM; since then he was aware of the operations but not of the scale of them that has emerged since Mr Maxwell's death.

"It started to go wrong in terms of the business after the Mirror flotation [May 1991] when it was clear that the remaining businesses on the private side were primarily loss-making. Consequently the private side of the group was dependent on dividends and a large disposal programme," Mr Bunn said.

"Towards the end Robert Maxwell was driven by cash rather than profitability."

Mr Bunn said he was equally in the dark in his role as a director of the key Maxwell private companies, Headington Holdings, Headington Investments and Robert Maxwell Group. It was impossible to tell whether money coming into these companies originated from MGN or MCC, or their pension funds, as it came in a "round-about route".

Mr Bunn said he had worked for Mr Robert Maxwell for 15 years and maintained that the extent of the public company loans to the private side and the transfers from the pension fund "came as a total shock".

"It was a complex group for which payments and receipts would come from many directions," Mr Bunn said. "Until you sat down with others you would not see any holes."

Mr Bunn joined the board of BIM three years ago after an attempted fraud by an employee had been unearthed. Having been the deputy finance director of Maxwell Communication Corporation, he became more and more involved in Mr Robert Maxwell's private finances.

At BIM he tried to set up controls, including those for Imro, the investment industry watchdog, but Mr Bunn claimed he was thwarted at every turn by Mr Robert Maxwell.

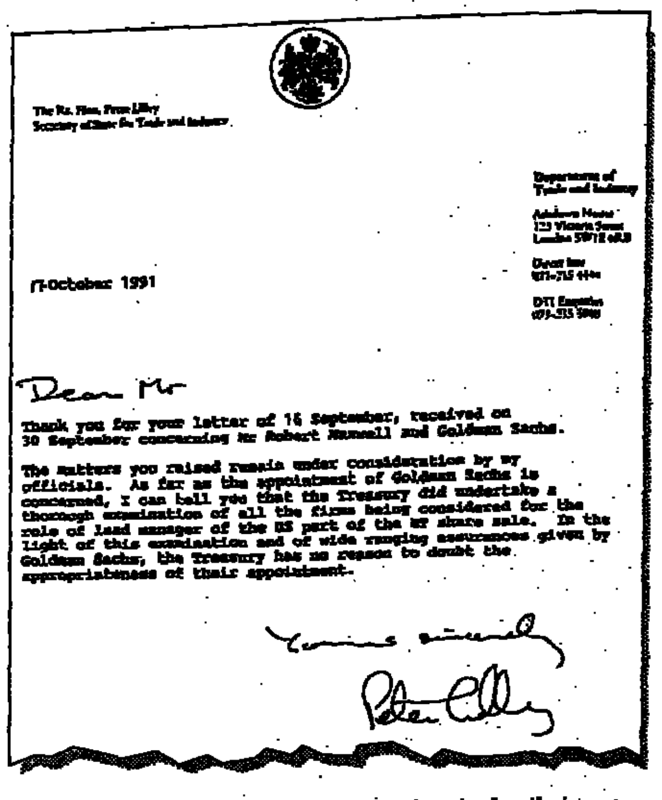
"It was very difficult to get Mr Maxwell to comply with any procedures."

Mr Bunn stressed that since Mr Robert Maxwell's death, Mr Kevin Maxwell had given him permission to piece together the entire picture of the private companies. And Mr Bunn said that he himself and Mr Stoney were co-operating fully with administrators, the SFO and the receivers.

Mr Bunn strongly defended Mr Kevin Maxwell. "Kevin is totally embarrassed by the whole situation, he said. "It's not a very good legacy to be left."

"I worked bloody long hours for Mr [Robert] Maxwell. It was an exciting place to work but I feel sick about the whole thing now," Mr Bunn said.

Richard Gourlay


The Rt. Hon. Peter Lilley
Secretary of State for Trade and Industry

Department of Trade and Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

17 October 1991

Dear Mr

Thank you for your letter of 16 September, received on 30 September concerning Mr Robert Maxwell and Goldman Sachs.

The matters you raised remain under consideration by my officials. As far as the appointment of Goldman Sachs is concerned, I can tell you that the Treasury did undertake a thorough examination of all the firms being considered for the role of lead manager of the US part of the BT share sale. In the light of this examination and of wide ranging assurances given by Goldman Sachs, the Treasury has no reason to doubt the appropriateness of their appointment.

Yours sincerely

Peter Lilley

The Serious Fraud Office's announcement yesterday that it was looking into aspects of trading in shares of MCC came after lengthy scrutiny of the same subject by the DTI.

Just three weeks before the death of Mr Robert Maxwell, whose private companies controlled MCC, Mr Peter Lilley, Secretary of State for Trade and Industry wrote this letter to a private investor in MCC shares.

The letter now sits at the top of the investor's inch-thick file of correspondence with the Stock Exchange, the DTI and Goldman Sachs. Goldman, the US investment bank, had bought two put options in MCC shares from Mr Maxwell, giving it the right to sell him MCC shares at a later date.

The investor, who has asked not to be named, lost money "selling short" MCC shares – speculating that they would fall – during the period of the first Goldman put option.

The European in a fight for survival

THE MAIN front page headline on the 84th and possibly final issue of The European newspaper was curiously appropriate.

"After the triumph, the cost," is said over a story about the Maastricht summit. It could just as easily have referred to the paper itself.

The staff of 140 worked all week for nothing to bring out the paper at least one more time to increase the chances of finding a buyer and save Mr Robert Maxwell's pan-European creation from the wreckage of his empire.

Yesterday, as the truncated version of the paper was on its way to all points round Europe and off to the US, Mr Martin Fishman of Arthur Andersen, the administrators, laid off all the staff.

Money will have to be forthcoming from a potential purchaser before another edition of the paper appears.

The European, launched in May 1990, is now selling about 250,000 copies a week but is losing in the region of £800,000 a month.

Out of about 20 inquiries there are four expressions of interest that are still live, and Mr Fishman says he is still talking to two potential purchasers, one a publisher and the other a non-publisher.

If a deal can be stitched together by Monday or Tuesday the paper could appear again at the weekend.

"If people want to negotiate for a week then they must accept that there won't be a paper on Friday," said Mr Fishman, who declined to speculate on what the chances of survival might be.

Mr Ian Watson, founding editor and until yesterday editorial director of The European, described the decision to work for nothing as "our war effort." Staff could be quickly summoned back to The European if there was any chance of a deal.

The administrator's decision to issue redundancy notices was not only financially necessary but part of Mr Fishman's strategy to try to speed up negotiations. Once a newspaper goes off the streets its value starts to ebb away.

The decision also means that any purchaser could start again and hire the number of people they want on new contracts. Some of Mr Robert Maxwell's hirings, particularly in continental Europe, were said to be on the generous side.

Mr John Bryant, The European's editor, said yesterday he believed there ought to be a future for the paper under a new owner.

Apart from Maastricht the front page of the 84th issue of The European reveals that "The French Maid is now tax deductible" and that Europe's ski resorts are having the best start to the season for years.

The paper also tells readers optimistically that in spite of the blizzard of Maxwell debt "we remain hopeful that the sale will be completed soon and that none of the regular 250,000 buyers of the paper will be disappointed in the weeks to come."

Raymond Snoddy

The European . . . the last edition?

Receivers appointed to more companies

RECEIVERS were appointed to two more Maxwell property companies yesterday, as insolvency practitioners strengthened their control over the crumbling private empire.

Mr Maurice Withall, a partner in Grant Thornton, who is already receiver to Robert Maxwell Estates (RME), has been appointed to Worship Street Number One and Track-sign Properties by an unnamed bank.

RME, which went into receivership on Friday, owns eight London properties including Maxwell House and the Mirror building. The first quarterly rent payments since the receivers took control are due on Christmas Day.

A syndicate of banks led by Lloyds is believed to have lent £80m to RME earlier this year. Its portfolio was valued by chartered surveyors in October at £132m. The receiver has already received expressions of interest in buying RME.

The action comes one day after Mr John Talbot of Arthur Andersen, who is joint administrator to the principal private Maxwell companies, obtained administration orders against 29 further companies, in what are believed to be among the final orders needed in his strategy.

Mr Ian McIsaac of Touche Ross was also on Wednesday appointed liquidator to First Tokyo, formerly known as First Tokyo Index Trust, a subsidiary of Adviser (188), to which he became receiver last week.

The High Court appointed Mr Talbot and other Andersen partners as interim managers last Saturday to 31 companies. All but two, which were held back for technical reasons, have now been covered by administration orders.

The 29 companies are: AGB Consumer Research, Allcentre Properties, Audience Selection and Telesales, Audits of Great Britain, Bishopsgate Investment Trust, Bishopsgate Property, Flavourplus, Headington Group, Headington Holdings, Headington Paper, Hollis Industries, Industrial Market Research, London & Bishopsgate Group, London & Bishopsgate Holdings, Marten Walsh Cherer, Maxwell Cable TV, Maxwell Group Holdings, Maxwell Media, Maxwell Media Trust, Maxwell Technical Services International, Microdealer International, Mirror Group (Holdings), Mirrorsoft, Professional and Executive Recruitment, Research Services of Great Britain, Robert Maxwell Group Trading, Robert Maxwell Holdings, Squires Appointments (Southern), and Vista Computer Systems.

There are believed to be a total of about 430 companies in the Maxwell Empire.

Mr Talbot was originally appointed as joint administrator to Headington Investments and Robert Maxwell Group last Thursday, and made administrator of AGB International, AGB Research and the European on Friday.

Mr Neil Cooper of Robson Rhodes was appointed provisional liquidator to Bishopsgate Investment Management on Sunday night.

Andrew Jack

Liechtenstein company expected to lose £176m

THE SECRETIVE Liechtenstein-based anstalt, or corporation, which had a 24.8 per cent shareholding in one of the top Maxwell private companies is likely to lose £176m from the collapse of the private empire, according to a report by Coopers & Lybrand Deloitte, the accountants.

Coopers has discovered that Swico Anstalt holds a loan stock from the private companies, repayable in 1995 on which it is owed £176m in capital and accrued interest.

The anstalt, which had a 24.8 per cent in Robert Maxwell Group, is likely to rank well down the list of creditors to the private empire, now in administration under UK insolvency legislation. It is unlikely to receive any repayment.

Arthur Andersen, the accounting firm which isthe administrator, said the anstalt's claim was being investigated.

Ownership of the anstalt has always been shrouded in mystery. It is unclear what effect this loss will have on the wealth of the Maxwell family.

Meanwhile bankers have been investigating whether there are any valuable assets in the anstalt or in the Maxwell Foundation, another Liechtenstein entity. If there are any assets there, banks will attempt to seize them, in compensation for losses they face on their loans to the Maxwells' UK companies.

However a Swiss banker said: "I am certain there is nothing left. There probably were substantial reserves in the Foundation and the anstalt. But I think everything was transferred to the UK."

Robert Peston

Spanish probe ends without charge

In Tenerife yesterday Judge Isabel Oliva closed her investigation into the death of Mr Robert Maxwell and, the court said that there were no plans to charge anyone in connection with the case, reports AP.

"The judge has issued a ruling to conclude her case without charges. That means either that she was unable to find indications of foul play or she does not know who was involved."

However the court added: "I cannot say the judge has not found indications of foul play."

The pathologists who carried out the autopsy have said they concluded he fell overboard after an existing heart ailment worsened. There has however been speculation that he may have killed himself.

LBII clients give assurances on funds

LONDON & Bishopsgate International Inc (LBII), the New York-based fund manager that was 60 per cent owned by Mr Robert Maxwell, is confident it has suffered only a temporary withdrawal of funds by clients.

Mr Andrew Smith, LBII's vice-chairman, said he had received assurances from the clients – two European institutions with funds in LBII's offshore equity funds – that they will return the $90m (£49.7m) if Arthur Andersen, administrators to the Maxwell empire, allows LBII to go ahead with a proposed management buy-out of the company.

The withdrawals over the past fortnight of highly adverse publicity of Mr Maxwell's activities have cut the company's funds under management to about $500m.

Mr Smith served until last year as managing director of the UK-based London & Bishopsgate International Investment Management (LBIIM), the Maxwell company that is being investigated in connection with a string of pension fund transfers. He denied vehemently that he had any knowledge of Maxwell pension fund transfers "because I left London in March 1990."

Mr Robert Chender, the managing director of LBII, meanwhile said he wished to correct the amount of Maxwell-related funds managed by the New York company, which he said last week totalled $17m.

He said these funds amounted to more than $20m and consisted of $10.9m of pension funds from the Maxwell-owned Macmillan publishing group, $8m from the pension fund of Official Airline Guide (OAG), another US holding of the Maxwell group, and a further $1.5m to $2m from the non-profit Macmillan Foundation.

Meanwhile, Mr John Campi of the New York Daily News, confirmed that the newspaper had received the funds to which it was entitled during its ownership by Mr Maxwell.

Mr Campi said a total of $67m was sent to the Maxwell group in London last Spring by the Tribune Company of Chicago, the company which transferred the newspaper to Mr Maxwell. Some $74m had flowed back to New York, he said.

Alan Friedman

UK COMPANY NEWS

£1.9m costs of closing Australian broking side taken above line

Smith New Court recovers to £7.6m

By Richard Waters

SMITH NEW COURT, the securities company, did as well in the first half of 1991 as the whole of its previous financial year, according to results announced yesterday.

Pre-tax profits for the six months to October 25, at £7.59m, were marginally ahead of the £7.57 for the year to April. The result reflected much greater activity in UK equity markets, and a return to rights issues and a degree of takeover activity by UK companies.

The result was struck after a charge of £1.9m, reflecting the cost of closing the firm's three-year-old broking operations in Australia, although it still makes markets in Australian shares. The charge was taken as an exceptional item, rather than a below-the-line cost, to reflect a recent pronouncement from the Accounting Standards Board.

Before tax and this exceptional charge, Smith recorded profits of £9.5m, marking a strong advance from the £4.06m in the comparable period. Mr Michael Marks, chief executive, said that about 75 per cent of this was generated by Smith's core activities in the UK equity market.

In the corresponding period in 1990, the UK had accounted for about half the profits, reflecting the depressed of the UK equity industry at the time.

In line with its policy of achieving a steadily rising dividend, Smith announced a doubled interim payment of 1p.Earnings per share were 7.4p (1.9p) basic or 6.4p (4.3p) fully diluted.

Mr Marks added that if the current, quieter market conditions continued, the final dividend would also be up, although the intention was not to double the payment for the year as a whole.

Smith, like other broking firms, has benefited in recent months from greater fund raising and takeover activity by British companies, in its case involving clients like Ladbroke, Redland and Racal.

Mr Marks said the firm would not incur any losses as broker to the two Maxwell public companies: "We have no exposure to Maxwell Communication Corporation, Mirror Group Newspapers or the Maxwell family interests."

Albert Fisher issues statement in attempt to halt share slide

By Michiyo Nakamoto

ALBERT FISHER, the acquisitive fresh produce distributor and food processor, issued a trading statement yesterday aimed at countering the bearish sentiment that has hit the group's shares as rumours about its difficulties spread through the market.

The company said that it considered the drop in its share price to be "totally unjustified".

Fisher, which was a stock market favourite in the bull market years of the last decade, has seen its share price drop from a high of 133p on March 21 this year hitting a low of 62p during the day yesterday.

Recently the shares have been particularly hard hit by market rumours. These said that a major shareholder was about to sell its stake or that the group's North American chief executive was about to resign.

On Monday, the Albert Fisher's share price lost 29 per cent on the day, falling from 80p to 57p, before recovering to close at 62p.

The trading statement made yesterday to clarify its position, was nevertheless very cautious. If recent economic forecasts prove to be correct "it will be difficult to achieve more than nominal growth in pre-tax profits this year," it said.

In Europe, where the group is particularly exposed to the weakness of the catering market in the UK, it is continuing to suffer from sluggish consumer spending.

Its North American businesses, meanwhile, are still under pressure from the effects of the recession. Performance so far this year has been below that for the comparative period.

The group stressed that its balance sheet was strong and that it had net cash as well as strong cash flow.

It also outlined its policy on corporate governance. It was establishing an audit committee, with effect from January 1992, to be chaired by Mr Stephen Walls, chief executive of Arjo Wiggins Appleton and a member of the Financial Reporting Council.

Yesterday, the shares recovered to 73p during the day before closing 7p up at 69p, suggesting that the statement did have a moderately calming effect.

City analysts said that the fall in Albert Fisher's shares reflected the nervousness in the market, particularly given the negative trading outlook for the group. However, the outlook was "not as grim as the share price fall implies," one analyst said.

The group blamed the fall in its share price in part on negative market sentiment on companies which expanded rapidly during the 1980, only to run into difficulties in the 1990s. "Albert Fisher, however, is most certainly not one of these," it said.

Harland Simon up 16% midway

Harland Simon, the process control engineering group, yesterday reported a 16 per cent increase in pre-tax profits from £2.5m to £2.9m for the half year to September 30 1991, helped by recent acquisitions.

The group also announced the acquisition of Cortina Electric, a manufacturer of electronic drive control equipment for £92,500.

Sales increased to £33.8m (£29.3m). Earnings per share were up at 10.4p, compared with 10.1p after adjusting for last year's rights issue. The dividend is increased to 2.25p (2p).

The recent acquisition of the Contraves operations has been fully integrated into the group.

The group hopes to shortly finalise the acquisition of Intec, a US-based leader in the application of imaging technology to industrial inspection and measurement systems.

Receivers in at Guidehouse

Administrative receivers are expected to be called in today at Guidehouse Group, the USM-quoted finance house. Trading in the shares was suspended on the Stock Exchange yesterday "pending clarification of the company's financial position", writes Daniel Green.

The company is said to be trading profitably in four of its businesses: insurance broking, pensions and life advice, corporate finance and training. These are likely to be the subjects of management buy-outs.

It is understood that the crisis has been precipitated by the last minute failure of an attempt to raise funds to restructure the company.

Anglia sells First Leisure stake

By Raymond Snoddy

ANGLIA TELEVISION has sold 5.5m shares in First Leisure Corporation in a deal worth £14.7m. The stake was acquired for around £2m when First Leisure, which operates Blackpool Tower, bowling alleys and snooker halls was formed in 1988 in a management buyout from Trust House Forte.

Anglia decided to sell the stake to have money to invest in its core business - television.

" We certainly don't need money in the next 12 months. We are cash positive ," Mr David McCall, the Anglia chief executive.

Anglia retained its east of England franchise against strong opposition but made a bid of £17.8m.

The sale of 5.5m First Leisure shares through County NatWest Securities to institutional shareholders represents 90 per cent of the Anglia holding. It said it intends to hold on to its residual stake for the foreseeable future.

Anglia has also got rid of its small remaining stake in Hong Kong TVB in a deal worth £2.1m.

The money raised is likely to be used for broadcasting opportunities that arise in both the UK and overseas.

Takeovers of ITV companies become possible in 1994 and before then the forming of strategic alliances between neighbouring companies are likely.

Closer relationships between Anglia and its larger neighbour Central are likely to create a counterbalance to the increasing power of London.Carlton Broadcasting,winner of the London daytime franchise is likely to co-operate closely with London Weekend Television.

A northern power block is also likely led by Granada.

Bid defence cost API £1m as profits halve

By Michiyo Nakamoto

IN A YEAR in which it successfully fended off a hostile bid, API Group, the packaging company, reported pre-tax profits of £703,000, for the 12 months to September 28, less than half the comparable £1.86m.

The company suffered a £1.04m extraordinary charge stemming from defence costs incurred against the takeover bid from NMC, a rival packaging group.

The recession in several economies in which it operates saw turnover fall in most of its markets with the exceptions of the US, West Germany and part of Europe. The group was also adversely affected by the Gulf war. Overall turnover declined to £62.5m (£65.9m). There was an exceptional item of £570,000 (£228,000), representing provisions for reorganisation and redundancy costs.

Turnover fell in all but its converted film and paper products division, which makes specialised coated papers and labels. That division along with the others, however, also suffered a decline in operating profit due to price increases for oil-based raw materials as a result of the Gulf war and increased investment.

The lower results for the image enhancement division, which makes stamping foils, was entirely due to difficulties at Henry & Leigh Slater, according to Mr Dennis Holt, finance director.

Henry & Leigh Slater was affected by the Gulf war, which hit the duty free market, one of the main markets for its high quality packaging.

In the US, however, the stamping foil business made progress, taking market share and increasing profits by 27 per cent despite weak markets.

The proposed final dividend is maintained at 4p making an unchanged total of 6.75p, although earnings per share declined to 3.1p (6p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acatos/Hutcheson ....fin	3.25	-	1.75	5	3.5
API Group ....fin	4	Feb 7	4	6.75	6.75
Archer (AJ) ....fin	1.25	Feb 28	5.25	4.4	8.4
Bexbuild Devs § ....int	1	Feb 1	-	-	2.5
Bradstock ....fin	3.4	Apr 7	3.25*	4.75	4.5
Brown Shipley ....int	nil	-	3	-	8
Countryside Prop ....fin	2.7†	Apr 6	2.7	4.11	4.11
Courts ....int	1.83	Apr 10	1.83	-	5
Dowty Group ....int	3.6	-	3.6	-	9.2
Eve § ....int	2.7	Mar 26	2.7	-	9.2
Fine Art Devs ....int	2.7	Jan 28	2.5	-	9.8
Grainger Trust ....fin	4.05	Mar 2	4.05	5.25	5.25
Harland Simon ....int	2.25	-	2	-	7.5
Johnson & Firth ....fin	2	Jan 30	2	3	3
Learmonth Burch§ ....int	nil	-	0.4	-	0.4
Lynx § ....fin	0.75†	Feb 28	0.75	1.25	0.75
Moorgate Inv Tst ....int	1.7	-	1.7	-	5.5
Moorgate Smaller ....int	1.8	-	-	-	-
MS Intl ....int	1	Feb 8	1	-	2.5
Scottish Hydro ....int	3.25	Mar 18	-	-	-
Smith New Court ....int	1	Feb 21	0.5	-	3.5
South Westn Elec ....int	5.25	Mar 24	-	-	10.57
Southern Water ....int	6.5☆	Apr 1	5.9	-	17.7
Sterling Pub ....int	0.5	May 8	1.5	-	2.5
Tinsley (Eliza)§ ....int	1.8	Feb 3	1.8	-	5.2
Watson & Philip ....fin	8.8†	Feb 14	8.5	12.8	11.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option.

PUBLIC WORKS LOAN BOARD RATES

Effective December 11

Years	Quota loans* EIP†	A††	maturity§
1			10⅝
Over 1 up to 2	10⅝	10⅝	10⅝
Over 2 up to 3	10⅝	10⅝	10½
Over 3 up to 4	10½	10½	10⅜
Over 4 up to 5	10⅜	10⅜	10⅜
Over 5 up to 6	10⅜	10⅜	10½
Over 6 up to 7	10⅜	10⅜	10⅝
Over 7 up to 8	10⅜	10⅜	10⅝
Over 8 up to 9	10⅜	10½	10⅝
Over 9 up to 10	10½	10⅝	10¾
Over 10 up to 15	10⅝	10⅞	10¾
Over 15 up to 25	10⅞	10¾	10⅝
Over 25	10¾	10⅝	10⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

David Lascelles reports on two growing electricity companies

Scottish Hydro advances with help from expansion into England

SCOTTISH HYDRO, the integrated Scottish electric utility, raised pre-tax profits by 27 per cent in the six months to September 30, thanks mainly to the success of its sales drive south of the border.

Pre-tax profits for the newly-privatised company amounted to £27m, up from pro forma £21.2m a year earlier. Earnings per share came out at 5.53p, against 4.09p.

Turnover rose by 20 per cent to £281.9m (£235.5m). Within that there were increases of 33 per cent and 26 per cent for sales to industrial customers all round the UK, and to other regional electricity companies. Hydro also sells power to English customers using supplies imported from France.

Hydro's turnover with the predominantly local Scottish market increased at a lesser rate, with domestic sales up 12.3p per cent, and commercial sales up 11.9 per cent.

Sir Michael Joughin, chairman, said the company had made a sound start to the year, and its expectations for the full year were unchanged. He added: "We see falling fuel and overhead costs, together with rising revenues outside our authorised area giving us good prospects for reliable profit and dividend growth."

The interim dividend is set at 3.25p, paid from earnings per share of 5.53p.

Mr Roger Young, chief executive, said Hydro was close to signing final agreements for the construction of a new gas-fired generating plant at Keadby near Scunthorpe. The 670mW plant, in which it will have a 51 per cent interest, will cost about £330m and is due for completion in 1994. The identities of the other shareholders in the project will be announced shortly.

SWE lifted by domestic demand

SOUTH WESTERN Electricity, the Bristol-based regional electricity company, made a pre-tax profit of £13.6m in the first half of its financial year ending on September 30.

This compares with a pro forma loss of £1.2m in the same period last year, and is equivalent to 8.5 p per share.

Mr William Nicol, the chairman, described the result as "an excellent start to the year" and said it" puts us in a good position for a successful full year".

Despite the difficult economic situation, he said, there had been an increase in electricity units distributed of 3.3 per cent.

This showed the inherent strength of the south west. There were encouraging signs of growth in employment in the northern part of the company's region, which stretches from the Avon down to Land's End.

The fastest rate of growth in sales came from domestic consumers, up six per cent.

Sales to commercial customers, such as shops and offices, were up 3.5 per cent, and sales to industry were down 2.5 per cent.

The interim dividend will be 5.25p, which represents an increase of 13.4 per cent on the notional dividend given for last year's first half before privatisation.

The company expects to be able to sustain this rate of growth provided there are no significant changes in its operating environment.

Mr Nicol said the company was aiming for reduction in costs of three per cent a year. There would be £2m of savings next year through the restructuring of the operations division.

The company's cash flow had been strongly positive, and gearing was at its annual cyclical low point of 25 per cent.

This would rise early next year, and the company expected to use its strong credit rating to tap the commercial paper market.

Mr Nicol said: "While earnings are understandably sensitive to weather conditions, the company believes, with normal winter conditions, it is well positioned to show a strong performance for the full year."

Ossory Invs pays £24.5m for shopping centre

Ossory Investments, an investment company owned by Ossory Estates, Hypo Bank and Richard Ellis, has bought the Kinnaird Park shopping centre for a total of £24.5m in the largest commercial property transaction in Scotland this year.

The centre, on the outskirts of Edinburgh, is one of Scotland's largest out-of-town retail parks, covering 465,000 sq ft. It has a rental income of £2.23m, which puts the deal on an initial yield of 9.94 per cent, rising to 11.92 per cent.

The vendor was Newcraighall Investments, a subsidiary of Cameron Hall Developments.

Fine Art bucks the trend with 9% growth to £4.49m

FINE ART Developments, the greetings card manufacturer, yesterday continued to buck the downturn trend in the retail sector by announcing a 9 per cent increase in pre-tax profits from £4.1m to £4.49m for the half year to September 30 1991.

Mr Keith Chapman, the chairman, said the improvement in profits was due to last year's capital investment programme.

The shares yesterday rose by 18p to close at 352p.

Turnover was marginally down at £109.8m (£110.7m) in what Mr Chapman called "extremely difficult" trading conditions.

Operating profits improved to £9.7m (£9.02m) but the pre-tax result was after interest charges up from £4.92m to £5.22m.

Earnings per share increased to 3.86p (3.48p) and the interim dividend was stepped up to 2.7p (2.5p).

Southend Property halved at midway

By Vanessa Houlder, Property Correspondent

SOUTHEND PROPERTY Holdings, the property company that failed in its £130m bid to acquire Frogmore Estates earlier this year, yesterday announced that pre-tax profits had halved from £2.6m to £1.3m in the six months to end of September.

The decline was due to an increase in interest costs from £7.06m to £8.03m and a fall in operating profits from £9.67m to £9.33m.

However, rental income increased from £8.26m to £9.21m and the company predicted that it would increase to £18.5m for the full year. Mr Malcolm Dagul, chairman, said: "Conditions in the property market remain difficult but there is evidence of some improvement outside of Central London."

The company made no provision against the costs of its bid for Frogmore, since it has sold its stake at a profit.

It increased its equity capital by £14.2m after an issue of shares when it launched its bid for Frogmore.

Earnings per share fell from 1.66p to 1.13p. An interim dividend of 1.45p (1.32p), up 10 per cent, was declared.

NEWS DIGEST

Further placing at Wharfedale

A NEW management team is joining Wharfedale, the USM-quoted consumer electronics group, which is also raising £2.25m by a placing and open offer. In May the company raised £2.3m by a placing.

The moves were announced at the same time as reporting an annual loss of £1.22m, against profits of £11,000.

Sir Gordon Brunton is becoming executive chairman, Mr Pieter Totté, chief executive, and Mr Gordon Owen joins as a non-executive director. Mr Keith Mellors, the present chairman will remain on the board as will Mr Brian Drysdale who has been acting chief executive since Mr Ashley Ward left in July.

The company is placing 19.95m shares to raise a net £2.25m on a 9-for-10 basis at 12.5p a share. Sir Gordon and Mr Totté are to subscribe for or find subscribers for up to 8m shares for an aggregate of up to £1m. The cash will be used to cut gearing and for working capital.

In the year to June 30 turnover was £11.3m, against £14.9m adjusted for acquisitions and disposals. The pre-tax figure was struck after increased finance charges of £767,000 (£471,000) and exceptional costs of £129,000 (£52,000).

Losses per share were 7.9p (earnings 4p).

The shares closed 4p higher at 15¼p.

Courts (Furnishers)

Continuing difficult trading conditions in the UK led to a 41 per cent fall in pre-tax profits at Courts (Furnishers) in the half year to September 28.

The decline – from £3.65m to £2.14m – came from turnover up from £73.5m to £80.7m.

The profits were struck after a £412,000 deferred profit transfer and a loss of £322,000 (£2.13m profit) from property disposals.

Earnings per share came out at 2.69p (9.41p), and the interim dividend is unchanged at 1.83p.

Sterling Publishing

Sterling Publishing Group, publisher of Debrett's Peerage, turned in pre-tax profits of £571,000 from turnover of £15.9m in the half year to September 30.

The result compares with profits of £904,000 from turnover of £13.8m and was struck after exceptional charges of £180,000 (nil).

An interim dividend of 0.5p (1.5p) is being paid. Basic earnings per share were 1.57p (1.15p) or 1.06p (1.82p) diluted.

Eliza Tinsley

Pressure on margins at Eliza Tinsley Group, the USM-quoted maker and distributor of chains and builders' hardware, led to a 40 per cent decline in operating profits and a 48 per cent drop in pre-tax profits in the half-year to September 30.

On turnover marginally ahead at £7.71m (£7.68m), profits were £357,000 (£591,000) at the operating level and £287,000 (£550,000) pre-tax. Earnings emerged at 2.5p (4.62p), but the interim dividend is maintained at 1.8p "in view of the financial strength of the group".

Greenwich Res

Greenwich Resources turned in pre-tax profits of £108,000 in the year to end-September against a loss of £1.24m last time.

Operating income fell to £581,000 (£827,000) and at the operating level losses were reduced from £736,000 to £28,000. The result was enhanced by net interest receivable of £136,000 (£500,000 payable).

After tax of £241,000 (£304,000) and minorities of £15,000 (£36,000) losses per share amounted to 0.2p (4.1p). There was an extraordinary debit of £11.5m (nil).

Lynx Holdings

Acquisitions helped Lynx Holdings, the USM-quoted leisure and computer services company, increased pre-tax profits from £225,000 to £320,000 in the year to September 30.

Turnover was £4.15m (£4.24m). Earnings per share were 4.3p (3.7p) and a final dividend of 0.75p is proposed for a total payment of 1.25p (0.75p).

Eve Group

Mr Roger Ames, chairman of Eve Group, the USM-quoted contractor and developer, said that the recession continued to depress the industry in general and Eve's general contracting side in particular.

Pre-tax profits fell from £2.32m to £1.81m in the six months to September 30, though the interim dividend was held at 2.7p.

Turnover declined to £19.2m (£28.2m) and earnings to 12.8p (16p) per share.

Sycamore Holdings

Sycamore Holdings, a maker of kitchen furniture, foundry and leisure products, continued to progress through the second six months and for the full year to end-September returned profits of £549,000 pre-tax.

That compared with previous losses of £2.78m and was scored on the back of a £2.1m rise in turnover to £9.5m. Earnings per share amounted to 1p (losses 16.25p).

Bradstock

Pre-tax profits at Bradstock Group, the insurance and reinsurance broker, were little changed at £8m in the year to September 30, against £8.1m. Turnover increased from £20.1m to £21.9m.

Investment and other income was lower at £3.58m (£3.82m). Earnings per share were 8.9p (8.8p) after lower minorities. A final dividend of 3.4p is proposed for a total payment of 4.75p (4.5p).

Moorgate Smaller

Moorgate Smaller Companies Income Trust reported earnings per share of 2.52p in the period from its inception in May to October 31. An interim dividend of 1.8p has been declared.

Moorgate Inv Trust

Moorgate Investment Trust reported net asset value of 115.7p at November 30, against 99.3p a year earlier. Net revenue for the six months to the end of November fell to £806,000, compared with £866,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abtrust New Dawn Investment Trust, Boscombe Property, Henderson Highland Trust.
Final- Carrs Milling Industries.

FUTURE DATES

Interims-	
Abtrust Pref. Income I.T.	Dec. 18
Andrews Sykes Group	Dec. 18
Astra Holdings	Dec. 16
Border Television	Dec. 17
Bromsgrove Industries	Dec. 17
Gold Greenlees Trott	Dec. 17
Tinsley Robor	Dec. 19
Westport Group	Dec. 18
Finals-	
Kalsey Industries	Dec. 20
Stakis	Jan. 14
Star Computer	Dec. 20

Bexbuild Devs

Taxable profits at Bexbuild Developments, the USM-quoted property investor, fell from £555,000 to £138,000 in the six months to September 30. The fall was largely because last time there had been a surplus on the sale of investment property of £411,000; this time there was none.

Trading profits slipped by only £6,000 to £138,000 though turnover was sharply up at £944,000 (£347,000). Earnings declined to 2.1p (7.7p) per share and a maiden interim dividend of 1p has been declared.

Grainger Trust

Profits of Grainger Trust, the property investor and trader, fell from £3.23m to £1.37m pre-tax for the year to September 30.

Gross rental income was down a little at £9.15m (£9.96m) but at the trading level profits fell to £13.2m (£15.74m). Earnings per share amounted to 8.03p (10.55p) but a same-again final dividend of 4.05p maintains the total at 5.25p.

Learmonth Burchett

Learmonth & Burchett Management Systems, USM-quoted computer services company, cut its pre-tax deficit from £618,000 to £281,000 in the six months to October 31. Turnover was higher at £10.1m, against £9.64m.

A return to profits was expected in the second half.

Losses per share were 1.7p (3.4p).

The interim dividend is being passed following no final payment for the previous year. Last time an interim of 0.4p was paid.

MS International

MS International, the engineering group, reported pre-tax profits of £175,000 from turnover of £15m in the 27 weeks to November 2.

The result compares with profits of £145,000 on turnover of £18.1m in the 26 week period to October 27 last year.

An improvement in the company's cash position led to a reduction in the interest charge from £264,000 to £70,000. The dividend is being maintained at 1p, payable from earnings per share of 0.4p (0.1p).

AJ Archer

Lower profit commission for the 1988 underwriting account resulted a reduction in turnover, pre-tax profit and earnings per share at AJ Archer Holdings, the insurance broker, in the year to end-September.

The profits fall – from £5.66m to £3.12m – was struck on turnover down from £6.73m to £4.79m. Earnings per share came out at 8.7p (16.5p) and the proposed final dividend of 1.25p makes a total for the year of 4.4p (8.4p).

Victoria Carpet

Victoria Carpet Holdings lifted pre-tax profits by £16,000 to £883,000 in the half-year to September 30 in spite of worsening trading conditions in the carpet industry in the UK, as well as in Australia and North America.

Turnover was down at £17.2m (£18.3m) and earnings rose to 8.48p (8.15p) per share. Mr John Bettinson, chairman, said that now the company was holding its own, the board anticipated that the dividend could be maintained at the year-end.

Northumbrian Foods

Northumbrian Fine Foods, the snack food manufacturer, is acquiring Huddersfield-based Biscuits for the Connoisseur and Cakes for the Connoisseur.

The consideration, related to current year profits, will be payable in a combination of cash and shares up to a maximum of £1.75m.

For the half-year to June 30 Connoisseur's pre-tax profits were £162,693 on turnover of £2.14m.

UK COMPANY NEWS

Southern Water advances to £61m

By Michiyo Nakamoto

SOUTHERN WATER raised its interim dividend by 10 per cent as it reported improved pre-tax profits for the six months to September 30 of £61.4m, compared with £47.2m. The shares rose 9p on the day to 317p.

The results included an exceptional gain of £6m representing the net profit on the disposal of Southern's investments in three statutory water companies.

"I am delighted with the steady, reliable progress we have achieved," said Mr William Courtney, chairman.

Profit before interest increased 14 per cent to £53.7m (£47.2m), of which 8 per cent came from the non-regulated businesses.

Southern, which operates in the comparatively dry south east of England, said that the impact of the recession on metred income had been to reduce turnover by about £2m.

As a result the average price increase last year of 14.7 per cent was not fully reflected in the overall increase in turnover in the core water business, which was up by 13.5 per cent.

Operating margins, nevertheless, had been maintained at 37 per cent, although higher regulated margins were offset by lower margins in the non-regulated businesses.

Southern has diversified into the waste business, acquiring McDowells, a firm of consulting engineers, during the period. It also announced the acquisition of Greenhill Enterprises, as part of its expansion into waste management.

Southern is ploughing back 81 per cent of its retained profits into capital expenditure, which was on schedule for its planned spend of £185m for the full year, Mr Courtney said.

Earnings per share increased 22 per cent to 35.3p (28.9p) although the improvement was lower at 9 per cent to 31.6p if the exceptional gain is excluded.

The company is still in a net cash position although interest income fell to £1.7m (£3.3m). Further deterioration in the cash position is expected at the year end although there should still be a small amount of interest income.

Watson & Philip shows 13% expansion

By Peggy Hollinger

WATSON & Philip, the Dundee-based food wholesale and retail group, yesterday reported a 13 per cent increase in pre-tax profits to £11.8m for the year to October 25.

The group, which doubled its size by profits with the £35.5m all-share purchase of Amalgamated Foods in April, also boosted turnover by 8 per cent to £461.8m on a merger accounting basis; this means that 1990's results have been restated as if AF had contributed that year.

Mr Ian Macpherson, chairman, said the group had "done creditably well compared to our peers".

Trading had been tougher in England than in Scotland, he said.

Profits advanced in all divisions with the exception of Foodservice, which supplies the catering, fast food, hotel and restaurant industries.

Foodservice had been hit by the higher-than-expected costs of building up a distribution network south of the border and winding down a bakery business.

The losses from those activities had more than halved profits out of Scotland which were £1.5m last year. Foodservice posted just £690,000 at the operating level this year. Mr Macpherson said he expected the business south of the border to at least break even soon.

The strongest growth came from Watson & Philip Retail Services, which incorporates the AF business. Trading profits rose 24 per cent.

Earnings per share rose 2p to 25.4p. The proposed final dividend is raised to 8.8p, making a total for the year of 12.8p (11.6p).

An extraordinary £136,000 charge (£441,000 credit) related to AF acquisition costs.

Countryside returns to black with £3.1m

By Vanessa Houlder, Property Correspondent

COUNTRYSIDE Properties, the residential, commercial and industrial property company, yesterday announced pre-tax profits of £3.05m for the year to end-September, after taking £1.21m of provisions against the reduction in the value of some properties and development sites.

The result compares with last year's pre-tax loss of £8.13m, which followed £14.3m of provisions.

At the trading level, profits were down this year from £11m to £9.19m. Turnover increased from £62.7m to £87.1m.

Mr Alan Cherry, chairman, described the results as "a creditable performance" against a backdrop of the worst trading conditions ever experienced.

The company has reduced its short-term debt from £89.5m to £34.7m, partly as a result of a £20.6m rights issue this summer. The rights issue was required after delays in selling commercial property and the accumulation of a residential land supply sent gearing up to 185 per cent.

Largely as a result of the rights issue, net assets at the year-end increased from £52m to £74.6m. The net asset value per share fell from 145p to 124p.

Earnings per share were 7.2p, compared with 5.9p losses. The final dividend was a recommended 2.7p, making an unchanged total of 4.11p.

National Home Loans chief takes pay cut

By David Barchard

THE CHIEF EXECUTIVE of National Home Loans, Mr Kevin Milner, took a £57,000 pay cut in 1991 according to the group's annual report and accounts published yesterday.

Mr Milner, who has headed the troubled housing finance group since February last year, earned £349,000 in the year to September, down from £406,000 in 1990.

Other top directors of the company also took pay cuts, averaging 13 per cent, but fees paid to Mr John Darby, the group chairman, rose from £32,000 to £35,000.

The accounts also reveal more details of the bleak situation facing the company which made a £47.9m loss in the year just ended.

Several of the group's subsidiaries sustained severe losses, apart from its core residential mortgage business which lost £25.7m.

The leasing subsidiary lost £5.8m and the consumer finance arm lost a further £6.2m after provisions of £15.6m.

Business Loans lost £1m after making provisions of £4.4m.

The group has decided not to pursue plans to develop a health care services company purchased last May and a country club business bought last year.

Acatos & Hutcheson up 58%

Acatos & Hutcheson, the edible oils and fats group, returned profits of £6.68m pre-tax for the year to September 29, an improvement of 58 per cent over the previous year's £4.23m.

Turnover declined to £228.5m (£248.2m).

Earnings per share worked through at 13.3p compared with 5.4p and a proposed final dividend of 3.25p makes a 5p total against 3.5p.

Ultramar Canada concern over Lasmo bid

By Bernard Simon

ULTRAMAR's sizeable interests in Quebec and Nova Scotia have led the two Canadian provinces to express concern about various aspects of Lasmo's bid for the energy company.

A spokesman for Quebec industry minister Gerald Tremblay said yesterday that the province has asked for the right to review any sale of assets stemming from a change in ownership.

It has also made clear its interest in keeping Ultramar Canada's head office in Montreal and maintaining the company's extensive distribution network in eastern Canada.

The Quebec official said however, that "it's not our objective to take sides. Our first concern is to make sure that the interests of the province are protected."

Ultramar has been quietly lobbying Quebec and Nova Scotia as part of its defence against the Lasmo bid. Ultramar is the largest independent oil refiner and marketer in eastern Canada, with refining capacity of 140,000 barrels a day at refineries in Quebec and Halifax, and over 1,500 retail outlets.

Lasmo has said that it plans to sell Ultramar's Quebec refinery if its offer succeeds. The province is keen for assurances that the facility will not be closed if no buyers are found.

The Quebec and Nova Scotia authorities are understood to have made their concerns known to Investment Canada, the federal agency which reviews foreign investments.

Investment Canada cannot block Lasmo's bid, but it is likely to demand assurances from Lasmo on the future of Ultramar's Canadian operations, in particular job security. It could thus slow down the disposal or rationalisation of assets.

● As part of its programme to reduce gearing and improve cash flow, Ultramar is selling its two remaining Spanish-built oil-bulk-ore ships for \$49.65m.

Acquisitions restrict profit fall at Johnson Firth to 22%

By Peggy Hollinger

ACQUISITIONS helped soften the blow at Johnson & Firth Brown, the metals and engineering group which yesterday recorded a 22 per cent decline in pre-tax profits from £12.31m to £9.6m for the year to September 30.

The £11m purchase of Monroe Forgings in February contributed £582,000 to the operating profit, while acquisitions in the light engineering division produced £1m.

This virtually offset the loss of £1.6m through the sale of stakes in associated companies.

Like-for-like sales during the year fell almost 14 per cent to about £103m.

The acquisitions contributed a further £16m in sales.

Mr George Hardie, joint managing director, said the result showed a credible performance. "If that is the worst of the recession, then it is not too bad."

However, he warned that JFB was not expecting an upturn in the near future, and the current year's trading was likely to be flat.

JFB passed an important barrier during the year, with the Monroe acquisition.

The US manufacturer of seamless rolled rings for the aerospace, nuclear and bearings industries had cut JFB's dependence on Rolls-Royce from 16 per cent to 10 per cent of total turnover.

It had also introduced the group to leading aerospace engine manufacturers, GE and Pratt & Whitney in the US. About 23 per cent of turnover came from aerospace.

The group's strong cash position – £17.5m at the year-end – had helped JFB to invest in businesses with capital expenditure of £8.4m during the year. Cash has been reduced since then by the £3.2m purchase of Bradley & Foster, a castings company.

Debt of £20m leaves the group about 5 per cent geared.

Earnings per share fell by 1.2p to 5.2p. The final dividend was maintained at 2p, for a total of 3p.

Woodchester buys Hill Samuel arm

WOODCHESTER Investments, the Dublin-based leasing and financial services group, yesterday announced its acquisition of UDT First Southern Bank, a finance house business in the Irish Republic for an undisclosed cash sum.

UDT First Southern is a wholly-owned subsidiary of Hill Samuel Bank, and has balance sheet assets "in excess of I£300m".

Mr Donald Rushton, the director of Hill Samuel Bank, said that the UDT sale is part of the group's strategic reorganisation. "Ireland is not our major market and (UDT's) business profile is not integral to our core business" he said.

Woodchester's acquisition will expand the banking arm of its business, primarily in small and medium banking, and make it's subsidiary Woodchester Bank, the fourth largest bank in Ireland operating in the private sector.

Its core business is in vehicle leasing in Ireland and the UK.

Woodchester has grown exponentially over the past four years, expanding its leasing, loan and instalment credit business from I£22m in 1987 to I£324m in 1990 and with assets now exceeding I£1bn.

Earnings per share grew to 16.8p in 1990.

Credit Lyonnais increased its stake in Woodchester to 45% at the beginning of the year, creating expectations of a further expansion of business into the European market.

Brown Shipley to sell leasing offshoot as losses continue

By David Barchard

BROWN SHIPLEY, the merchant banking group, is to sell Lease Management Services, its leasing subsidiary.

The bank is understood to be in negotiations with its owners, the Credit Group in the Benelux countries, about transferring ownership of LMS to one of its parent banks early in the New Year.

This will remove about £160m of lending from Brown Shipley's balance sheet. In future the bank plans to concentrate on its asset management and private banking activities.

News of the sale emerged as the bank revealed that it made a loss for the third successive half year during the six months ended September 30. No details were given though Mr Bill Dacombe, the newly-appointed chairman and chief executive, said that the figures were clearly unsatisfactory.

The interim dividend is being passed and the bank will re-examine its dividend policy at the year end if conditions permit.

Last year the group posted a £3.34m pre-tax loss in the year to March 31 1991 and cut its final dividend to 5p (7.5p). Last year's interim was 3p

Mr Dacombe said that while merchant banking and leasing results had been disappointing, the school insurance business was about 10 or 11 per cent ahead of the first half of last year and the development capital was also doing well.

During the half year, the offshore banking division purchased RL Stott, an Isle of Man stockbroking company for £749,000. Brown's investment management division bought CIBC Investment Management for £3.1m.

COMMODITIES AND AGRICULTURE

Brazilian tin mine's output blocked on social grounds

By Victoria Griffith in Sao Paulo

A FEDERAL judge in Brazil has temporarily blocked the mining company Ebesa's right to extract tin from Bom Futuro, one of the largest tin mines in the world.

According to the National Department for Mineral Production, the judge, Mr Gomes de Barros, ruled in Brasilia this week that Ebesa's mining rights should be temporarily suspended to avoid social problems caused by the dislocation of small-scale mining in the region.

Mr Carlos Borba, an economist in the tin department of the DNPM, confirmed the ruling, but would not say for how long mining would be suspended or when the ruling would go into effect. He did say, however, that the long-term control of the mine by Ebesa was not compromised.

"No judge can challenge the company's long-term mining rights, which were guaranteed by the federal government," he said.

The government of the Amazonian state of Rondonia, where the mine is located, objected to the ruling. "We have a hard time seeing how this would cause social upheaval. Ebesa would contract many of the miners, and in any case, there are very few miners left in the area," said an official at the environmental department.

Ebesa was awarded mining rights to Bom Futuro two weeks ago, after a two-year legal battle. The area has traditionally been mined by small-scale *garimpeiros* working for their own account.

Two weeks ago, the federal courts awarded the mining rights to Ebesa, which is 50 per cent owned by the mineral giant Paranapanema, because of the environmental havoc the *garimpeiros* wreaked in the region.

They were evicted from the mine in August on charges of laundering drug money, but were allowed to return to the area in September.

No one at Ebesa could be reached for comment.

Aluminium margins squeezed

By Kenneth Gooding, Mining Correspondent

ALUMINIUM SMELTERS in Italy and Spain are the worst affected by present depressed prices which are at their lowest level ever in real terms, according to the Anthony Bird Associates consultancy group.

Among the big producers, Alcan of Canada and the Aluminium Company of America have the lowest costs while Alusuisse and Norway's Hydro Aluminium are among the high-cost groups.

Bird suggests Italy's present primary aluminium production costs are 76 cents a lb compared with the present London Metal Exchange three-month price of about 51 cents. It puts Spain's costs at 72 cents.

Lowest-cost production is in Venezuela (47 cents), Bird says, followed by Canada (49 cents) and Australia (50 cents). Alcan's and Alcoa's production costs are put at 54 cents while Alusuisse's are said to be 66 cents and Hydro's 62 cents.

In its latest report on aluminium production costs, Bird suggests that no aluminium project anywhere in the world can be justified at today's prices. "Anyone who is starting to build a new aluminium smelter today is doing so entirely on faith," it adds.

The Pattern of Production Costs

Countries	Average cost (US cents/lb)	Companies	Average cost (US cents/lb)
Venezuela	47	Alcan	54
Canada	49	Alcoa	54
Australia	50	Alumax	55
Japan	55	Comalco	55
Brazil	57	Pechiney	56
France	57	Reynolds	57
US	60	Kaiser	60
Norway	61	VAW	61
UK	62	Hydro	62
Germany	65	Alusuisse	66
Spain	72		
Italy	76		

Source: Anthony Bird Associates

At 50 cents a lb some 10.4m tonnes of present capacity – or 69 per cent of the western world total – is operating at a loss, the report shows.

This is despite the fact that the weighted average of production costs has fallen by nearly 11 per cent in nominal terms since the middle of 1990 to 56.9 cents a lb, a drop caused mainly by a sharp decline in the price of alumina, the raw material from which aluminium is made. After taking account of capital servicing costs and normal profits, average costs were 72.5 cents a lb.

Bird points out that some smelters have to bear their losses because "many of the high-cost plants today are in Europe where it is very difficult and often impossible to switch a smelter on and off in accordance with the state of the market. That is why smelters have been so reluctant to cut their production when the aluminium price first started to fall."

"Aluminium Production Costs 1991," £4,800 from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, England.

India may export surplus rubber stock

By Kunal Bose in Calcutta

INDIA, emboldened by the certainty of bumper natural rubber production of at least 365,000 tonnes in 1991-92, has not only stopped the import of the commodity, but is also exploring the possibility of exports. Domestic consumption in the current year is projected at 380,000 tonnes, but stocks are more than sufficient to bridge the gap.

According to the United Planters' Association of Southern India, the State Trading Corporation should re-export 10,000 tonnes of rubber from its stocks. The association also wants the corporation to step up the purchase of rubber in the domestic markets, a price support measure in the present peak cropping period.

High rubber stocks with STC have depressed local prices, hurting the interest of growers. The government shares the concern of planters that unless rubber is remunerative, the turn of the century production target of 690,000 tonnes will not be achieved. It is, however, not known to what extent the government will accommodate the association's demand for the revision of the benchmark price for rubber.

The current cost of production of rubber is estimated at Rs23.66 (51p) a kilogram, while the government price is Rs 21.45 a kilogram.

Mossgas gathers a costly reputation

Philip Gawith on why self-sufficiency may no longer justify S Africa's 'white elephant'

THE MEMORY of South Africa's former president, Mr P.W. Botha, hangs heavily in the air in the beautiful Southern Cape region near George, a constituency he represented for over 40 years. Apart from having his name liberally sprinkled over prominent public buildings, Mr Botha has retired there, surfacing occasionally in public to remind people of his truculent presence.

A more lasting symbol, however, of the embattled country he ruled – in no small part a function of his own personality and policies – is the controversial R12bn (£2.2bn) Mossgas synthetic fuel project, situated nearby.

As Mr George Bartlett, the minister of mineral and energy affairs commented last week, "Those were bleak days indeed, survival and self-sufficiency were the order of the day". He was referring to February 1987, when the cabinet gave the provisional go-ahead for the Mossgas project – in which underground natural gas is pumped 90 km (56 miles) from an offshore platform to an onshore plant, where it is converted into petrol, diesel and kerosene. South Africa was still at that time involved in a war in Namibia and the noose of international isolation was tightening.

The occasion for Mr Bartlett's comments was a briefing last week where the government lifted the wraps on this hitherto secret project. Since its inception it has been the subject of controversy, the public believing it has been saddled with an enormous white elephant which has consumed, to dubious effect and with no end in sight, an enormous amount of their money. This has led to repeated calls for the project to be scrapped.

Why, though, was it was started? As Mr Bartlett made plain, it was based on strategic, not normal commercial considerations. "It was never considered to be a commercially attractive investment from a private sector point of view." The atmosphere of the time is captured by a local financial journalist, as prominent as he is patriotic, who wrote, in May 1988: "Until we regain admission to world society, we need Mossgas as another brick in the wall of Fortress South Africa – regardless of economics".

The strategic angle is that South Africa still remains subject to an oil embargo, first implemented in 1973. The government's response was to pursue a policy of liquid fuel self-sufficiency – 40 per cent of the country's needs was the level set. Although petroleum production statistics remain classified, it is widely accepted that South Africa consumes about 330,000 refined barrels of oil a day, roughly 30 per cent of which comes from Sasol, the pioneer local synthetic fuel producer. Mossgas is expected to add about 27,000 barrels a day, averaged over its projected 25-year life span.

The project was enormous, consuming 55 per cent of total new fixed investment in the country during the period 1989-90. The latest capital cost estimate is R9.8bn, fully 50 per cent higher than the R6.5bn estimate on which the cabinet gave the final go-ahead in February 1988. With pre-production expenses of R2.2bn, current estimates indicate the project will cost about R12bn, a spectacularly inefficient cost/output ratio. Oil industry calculations made in 1989 suggest that replacing the country's entire existing refinery capacity – about ten times what Mossgas will offer – would cost roughly the same.

Of small consolation is that an outside US consultant, Mr Maurice Brooks, who did an audit on the project, found that R1.5bn of the R3.3bn cost escalation was due to factors outside the control of Mossgas. Although very critical of aspects of the definition and management of the project, with political interference from government a key factor, Mr Brooks also found that cost overruns, especially on the offshore platform, were not excessive by the standards of international mega-projects (roughly, those greater than $1bn capital cost).

> There is deep scepticism about the government's claim that the project will not be a continuing drain on the taxpayer

The public are unimpressed. First, Mossgas's cost (14 per cent of spending in the 1991-92 national budget) appears indefensible when seen against the country's desperate need for more social infrastructure, especially given the disappearance of the strategic imperatives which underlay the project. Second, there is deep scepticism about the government's claim that the project will not be a continuing drain on the taxpayer.

Mossgas's not unreasonable response is to invoke the words of Tennyson: "Ours was not to reason why. Ours was just to do or die." And with the project in its final stages – gas will be brought onshore in the first quarter of 1992, with full production by late 1993 – surely the focus should be on optimising its prospects? Mossgas support this argument by saying they expect the project to show, at $16 per barrel (1989 values, based on Dubai crude) a positive cash flow, based on operating expenses, servicing of external loans and tax.

The funding structure is 20 per cent commercial loans, 40 per cent soft loans from the parastatal Central Energy Fund (CEF) and 40 per cent equity. The equity portion is held 70 per cent by the CEF and 30 per cent by Engen, the energy arm of the Gencor group, which also manages the project.

Future cash flows have been allocated in a cascade fashion: first, to cover operating costs, increases in working capital and servicing commercial loans; second, to provide shareholders' return; third, to pay interest on CEF loans and further return to shareholders; and, finally, to repay the CEF loans and provide further shareholder returns. Mossgas says that in June 1991 money terms, a $33 per barrel oil price is required for the project to break even. At $19 a barrel shareholders will break even, while operating costs should be covered at $13.50 a barrel.

The government and Mossgas draw one main conclusion from these figures: that it would not make sense to mothball the project, which would also involve short-term repayment of R2.2bn of foreign loans. They make a further bullish prediction: that there are strong grounds for expecting additional gas deposits will be found in the area, which will extend Mossgas's life, and hence its financial viability. Depending on the size of such finds, there is also the possibility of Mossgas becoming the cornerstone for a petrochemical complex, based on an ethylene cracker, which would further improve the economics of the project.

There remain many sceptics, not least in the local oil industry. They see such reasoning as a licence to throw good money after bad. "Mossgas are being very bullish with other people's money," comments one. They doubt whether the oil price will stay at the real 1989 price of $19 a barrel Mossgas has assumed, and are also unconvinced that the project can cover its operating costs. Earlier this year they tried to convince the minister that an outside audit was required on the operating potential of the project before deciding whether to mothball it. Mr Bartlett's bullish disposition last week suggests they have lost this argument.

Still unresolved is the important question of how, and on what terms, Mossgas's product will be disposed of in future years. A senior oil sector official said oil companies were "most uncomfortable" with the Mossgas project, both as taxpayers and competitors of Engen. He said that, as with Sasol (although he disputes that Mossgas is strategic in the same way Sasol was), the industry would have to be compensated for the losses suffered, in terms of lower refining margins and spare capacity, by being obliged to take Mossgas's product.

Two scenarios arise: the government paying compensation for losses suffered, in which case the taxpayer foots the bill, or not paying, in which case Engen is enriched at its competitors' expense.

Accepting that mothballing is probably unrealistic, the official said the government's responsibility was to run Mossgas at the minimum cost – as a public utility. He forecast the project would have difficulty enough covering operating costs and servicing commercial loans without worrying about dividends. "If it is strategic, there shouldn't be private sector participation."

The acid test comes in late 1993/early 1994 when Engen has to decide whether it wants to put up as much as R1.4bn to keep its 30 per cent stake in the project. With a future government likely to have a much stronger commitment to the public sector than the present incumbents, it may just be politic for Engen to decline its rights and allow Mossgas to slip back into the breast of the politicians, from whence it came.

Agreement reached on Timor Sea oil exploration

By Kevin Brown in Sydney

AUSTRALIA and Indonesia yesterday approved 11 oil production contracts in a jointly controlled area of the Timor Sea, which lies between the Northern Territory and the Indonesian island of Timor.

The 11 consortia have undertaken to spend more than US$200m to drill 48 wells and carry out more than 40,000 kilometres of seismic exploration in the area, which is thought to hold between 1bn and 5bn barrels of oil. Several Australian oil production companies won operating contracts, including BHP Petroleum, Petroz and Woodside Oil. Overseas companies represented in the various consortia include Royal Dutch Shell from Europe, Chevron and Phillips from the US, Nippon Oil from Japan, British Petroleum and Korea Petroleum. The contracts were announced by Mr Alan Griffiths, the Australian Resources Minister, and Mr Ginanjar Kartasasmita, his Indonesian counterpart, after a meeting in Cairns, Queensland.

The location of the meeting was kept secret because of fears that the ceremony would be disrupted by demonstrators, angry at the killing of at least 19 East Timorese in an anti-Indonesian demonstration last month. The government's precautions prevented interference with the ministerial meeting, but a small crowd of demonstrators protested against the announcement outside Shell's Australian headquarters in Sydney.

The two ministers are the sole members of a ministerial council which oversees oil activities in a Zone of Co-operation set up by a treaty between Australia and Indonesia. But the treaty is regarded as illegal by Portugal, which was the colonial power in East Timor until it withdrew in 1975. The territory was annexed soon after by Indonesia.

Portugal is challenging Indonesian sovereignty over East Timor in the International Court of Justice at The Hague.

Australian human rights organisations claim that up to 100 people died when Indonesian troops fired on independence demonstrators on November 12 in Dili, capital of East Timor. Indonesia says its troops killed only 19 people after being provoked by members of Fretilin, a small guerrilla organisation which has waged a 16-year fight for independence. There has been a strong public reaction to the killings in Australia, ranging from demonstrations outside the Indonesian consulate in Darwin to trade union bans on steel shipments to Jakarta.

The reaction poses a diplomatic problem for Canberra. Mr Griffiths said he had told Mr Kartasasmita that the government condemned the killings and called on the Indonesian government to conduct a credible inquiry and punish any wrongdoers. But the government has made clear that it is unwilling to take any action which could imperil the 1989 Timor Sea treaty.

WORLD COMMODITIES PRICES

MARKET REPORT

HEAVY stop-loss selling pushed the gold price through further support levels yesterday, leaving it $6.90 down on the day at $359.15 a troy ounce. Dealers in Zurich said that support around $359 an ounce was by no means solid and that they would not be surprised to see the price fall to $352 an ounce in New York. London dealers suggested that the selling of gold had been triggered by the liquidation of platinum positions by US investment funds. The London platinum price closed last night at $366.60 an ounce, down $1.40 on the day. Gold's weakness led to further falls in the silver market, which earlier in the week had been leading the retreat of precious metals prices. The cash silver price finished in London at 385 cents an ounce and dealers said the metal was going through a period of consolidation after breaching the psychologically significant $4-an-ounce level on Tuesday. At the London Metal Exchange aluminium prices built on this week's gains in early trading, with the three months position reaching $1,143 a tonne at one point. But profit-taking brought a sharp retracement and the price closed at $1,124.50 a tonne, up $9 on the day. Dealers said there had been no fundamental reason for the rise.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.30q	+0.10
Brent Blend (dated)	$18.50-8.65	+0.30
Brent Blend (Jan)	$18.55-8.60	+0.25
W.T.I. (1 pm est)	$19.75-9.80q	+0.20
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$199-202	+0.5
Gas Oil	$179-180	+4.5
Heavy Fuel Oil	$72-73	+1
Naphtha	$187-189	+3
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$359.15	-6.90
Silver (per troy oz)♣	385.0c	-8.0
Platinum (per troy oz)	$366.6	-1.4
Palladium (per troy oz)	$84.25	-0.55
Copper (US Producer)	102.0c	-1.0
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.68r	+0.07
Tin (New York)	255.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.25p	+3.30*
Sheep (dead weight)†	149.33p	-2.05*
Pigs (live weight)†	92.36p	+5.85*
London daily sugar (raw)	$229.2z	-2.2
London daily sugar (white)	$272.0z	-2.2
Tate and Lyle export price	£234.5	-2.0
Barley (English feed)	£120.5	+0.25
Maize (US No. 3 yellow)	£146	
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	48.00p	-0.50
Rubber (Feb)♥	49.50p	-0.50
Rubber (KL RSS No 1 Jan)	215.0m	-2.0
Coconut oil (Philippines)§	$645y	
Palm Oil (Malaysian)§	$375	
Copra (Philippines)§	$425	+22.5
Soyabeans (US)	£144	-0.5
Cotton "A" Index	61.85c	
Wooltops (64s Super)	417p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Feb/Mar u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	190.00	193.00	192.00 187.40
May	188.00	190.20	190.00 187.00
Aug	189.00	189.00	194.00 188.00
Oct	188.00	199.00	188.60 187.00
White	**Close**	**Previous**	**High/Low**
Mar	272.2	272.9	274.0 271.5
May	272.7	273.4	274.0 272.0
Aug	277.0	277.8	277.4 275.8
Oct	259.5	260.3	259.6 258.0
Dec	258.5	258.3	256.0
Mar	260.5		260.3
May	260.4	260.2	260.9 260.5

Turnover: Raw 1028 (463)lots of 50 tonnes. White 1350 (2117)
Paris- White (FFr per tonne): Mar 1508.73, May 1523.65

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	18.60	18.23	18.63 18.35
Feb	18.60	18.23	18.61 18.35
Mar	18.44	18.24	18.52 18.33
Apr	18.48	18.15	18.48 18.30
May	18.34	18.11	18.34
Jun	18.30	18.00	18.30
Jul	18.27	17.93	18.27
IPE Index	18.04	18.38	

Turnover 21106 (21687)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	174.00	170.00	174.00 171.50
Jan	177.00	173.00	178.00 175.75
Feb	177.00	172.50	176.50 176.50
Mar	174.00	170.00	175.25 172.50
Apr	170.50	166.50	172.50 169.00
May	169.25	166.00	170.50 167.75
Jun	171.50	166.60	172.00 171.50
Jul	173.50	171.25	173.00

Turnover 26791 (19451) lots of 100 tonnes

FRUIT AND VEGETABLES
British Columbia Red Delicious are an excellent buy this week at 49-59p a lb, reports FFVIB. Other good fruit buys include kiwifruit at 13-25p each (15-25p), satsumas at 40-45p a lb (40-45p) and bananas at 45-70p a lb (45-70p). English cabbage is this weeks best buy at 15-25p a lb depending on variety. Root veg is excellent with swede at 15-20p a lb (15-20p), turnip at 20-25p a lb (20-25), carrots at 15-20p a lb (15-20p) and parsnips at 20-28p a lb (18-28p). Spanis and Canary Island cucumbers are this weeks best salad buy at 50-60p each depending on size. Beetroot is at 20-25p a lb (20-25p), 40-45p a lb (40-45p) for cooked loose.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	752	727	732 724
Mar	780	760	783 758
May	802	784	805 782
Jul	825	809	827 806
Sep	850	832	850 828
Dec	881	860	883 859
Mar	909	887	910 886
May	926		926 926
Jul	943		942 916
Sep	958	935	950 933

Turnover: 7411 (2740) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.11 956.12 (958.54) 10 day average for Dec.12 957.05 (955.84)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	960	995	1005 960
Mar	966	972	985 959
May	978	971	986 970
Jul	989	984	998 982
Sep	1005	1010	1014 1000
Nov	1020		1025 1015

Turnover:3068 (2810) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Dec.11: Comp. daily 61.92 (63.81) 15 day average 65.19 (65.38)
Sterling close: January £536 , March £ 541

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	118.5	118.5	119.0 118.5
May	138.0	137.5	138.0 137.5

Turnover 58 (144) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	125.00		125.00
Jun	120.00	120.00	120.00

Turnover 7 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Dec	1549	1553	1555 1547
Jan	1596	1594	1598 1590
Apr	1588	1586	1590 1581
Jul	1383	1380	1380
BFI	1548	1552	

Turnover 148 (357)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	123.90	123.60	124.00 123.75
Mar	127.55	127.25	127.65 127.40
May	130.90	130.45	130.90 130.40
Barley	**Close**	**Previous**	**High/Low**
Jan	119.00	118.95	

Turnover: Wheat 349 (201), Barley - (149).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	105.5	104.7	106.0
Feb	107.0	106.3	106.5
Mar	108.0	107.6	107.5
Apr	108.0	107.5	107.5
May	108.5	107.5	108.0 107.5
Jun	109.0		109.0

Turnover:45 (0) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	131.69	130.61			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,531 lots
Cash	1100.5-1.5	1090-1		1115.5-6		
3 months	1124-5	1115-6	1141/1116	1139.5-40	1126-7	133,246 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,821 lots
Cash	1209-11	1212-3	1216/1210	1215-6		
3 months	1225-6	1227-8	1232/1225	1229-9.5	1224.5-5	105,932 lots
Lead (£ per tonne)						Total daily turnover 2,705 lots
Cash	295-6	296-7	293.75/293.5	293.25-3.5		
3 months	304.5-5	305.5-6.0	305/303	303-3.25	304-5	16,762 lots
Nickel ($ per tonne)						Total daily turnover 2,420 lots
Cash	7100-5	7125-35	7105/7090	7090-5		
3 months	7160-5	7175-80	7165/7140	7145-50	7160-5	19,273 lots
Tin ($ per tonne)						Total daily turnover 1,232 lots
Cash	5520-30	5522-7	5520/5510	5525-30		
3 months	5565-70	5570-5	5565	5560-5	5565-70	4,951 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,116 lots
Cash	1201-3	1210-2		1205-7		
3 months	1158-9	1167-7.5	1170/1155	1160-1	1155-6	40,625 lots

LME Closing £/$ rate:
SPOT: N/A 3 months: N/A 6 months: N/A 9 months: N/A

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	358.90-359.40	
Opening	366.00-366.30	
Morning fix	366.10	202.008
Afternoon fix	359.50	198.838
Day's high	366.60-367.00	
Day's low	358.90-359.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.28	6 months	3.89
2 months	4.13	12 months	3.80
3 months	3.99		

Silver fix	p/fine oz	US cts equiv
Spot	217.80	384.75
3 months	223.45	399.05
6 months	229.15	403.30
12 months	240.45	412.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	359.50-360.50	198.75-199.25
Maple leaf	370.00-371.00	204.50-205.00
New Sovereign	88.00-89.00	48.75-49.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1000	129	157	4	9
1100	53	85	27	34
1200	14	38	87	85
Copper (Grade A)	**Calls**		**Puts**	
2100	107	118	22	46
2200	49	67	62	92
2300	17	34	130	156
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
800	37	51	1	10
850	5	22	19	31
900		8	64	49
Cocoa	**Mar**	**May**	**Mar**	**May**
750	53	78	23	28
775	39	63	34	36
800	29	50	49	48
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1730				
1800			50	
1850	65			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	358.0	366.6	366.6	356.6
Jan	358.9	367.3	361.0	361.0
Feb	359.9	368.6	369.0	358.2
Apr	362.2	370.9	371.2	360.6
Jun	364.5	373.2	373.8	363.0
Aug	366.8	375.6	369.2	366.4
Oct	369.0	377.9	0	0
Dec	371.4	380.3	374.3	370.0
Feb	373.9	382.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	361.8	368.7	368.5	359.0
Apr	363.7	370.9	370.5	360.0
Jul	366.2	373.4	372.5	366.5
Oct	372.2	379.4	371.0	371.0
Jan	374.5	381.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	382.2	391.0	391.0	378.5
Jan	383.3	392.3	0	0
Feb	384.8	393.8	0	0
Mar	386.3	395.3	395.5	383.0
May	389.7	398.8	398.0	386.0
Jul	393.0	402.1	400.5	390.0
Sep	396.4	405.5	403.5	395.0
Dec	401.6	410.8	410.0	398.0
Jan	403.5	412.7	0	0
Mar	407.1	416.4	411.5	410.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	97.80	97.80	98.50	97.70
Jan	97.75	98.00	98.30	97.75
Feb	97.70	97.80	98.20	97.60
Mar	97.30	97.40	97.90	97.00
Apr	97.15	97.25	97.20	97.00
May	97.00	97.10	97.50	96.75
Jun	96.90	97.00	96.85	96.85
Jul	96.80	96.90	97.30	96.65
Aug	96.75	96.80	96.70	96.70
Sep	96.65	96.70	97.15	96.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.13	62.23	59.42	59.00
May	60.45	63.90	60.75	60.25
Jul	61.51	64.53	61.78	61.45
Oct	63.50	65.63	63.75	63.45
Dec	64.00	66.00	64.20	63.95

ORANGE JUICE 15,000 lbs; cents/lbs.

	Close	Previous	High/Low	
Jan	159.70	160.75	160.00	158.35
Mar	161.55	162.70	161.70	160.25
May	161.70	162.75	161.70	160.50
Jul	161.55	162.70	161.20	160.75
Sep	157.75	160.95	160.00	158.75
Nov	148.60	151.50	0	0
Jan	147.00	149.95	147.00	147.00
Mar	147.00	149.95	0	0
May	147.00	149.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.88	19.51	19.94	19.55
Feb	19.89	19.58	19.92	19.59
Mar	19.80	19.58	19.90	19.60
Apr	19.80	19.59	19.90	19.61
May	19.82	19.59	19.82	19.63
Jul	19.75	19.59	19.83	19.57
Aug	19.75	19.59	19.81	19.60
Sep	19.85	19.59	19.70	19.60
Oct	19.85	19.62	19.80	19.64

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	5635	5578	5670	5550
Feb	5750	5686	5790	5680
Mar	5705	5657	5730	5655
Apr	5555	5520	5585	5530
May	5410	5345	5460	5400
Jun	5315	5270	5355	5300
Jul	5310	5255	5350	5305
Aug	5400	5325	5425	5395
Oct	5620	5540	5630	5620

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1255	1237	1262	1248
Mar	1293	1265	1295	1270
May	1330	1302	1330	1306
Jul	1369	1328	1360	1336
Sep	1388	1357	1385	1380
Dec	1425	1394	1416	1413
Mar	1455	1424	1449	1448
May	1477	1446	0	0
Jul	1500	1469	0	0
Sep	1526	1495	1510	1510

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.50	74.70	75.05	73.50
Mar	79.05	78.50	79.45	78.70
May	81.85	81.40	82.10	81.40
Jul	84.10	84.05	84.70	84.10
Sep	86.85	86.75	0	0
Dec	90.15	90.20	90.50	90.15
Mar	94.00	93.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.60	8.70	8.74	8.56
May	8.54	8.65	8.66	8.47
Jul	8.48	8.64	8.64	8.46
Oct	8.47	8.61	8.60	8.44
Mar	8.45	8.58	0	0
May	8.45	8.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.12	Dec.11	mnth ago	yr ago
1605.6	1610.3	1624.8	1720.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.11	Dec.10	mnth ago	yr ago
Spot	113.87	113.95	112.98	123.27
Futures	120.54	120.83	121.82	125.98

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	544/0	548/2	551/0	543/0
Mar	551/0	555/2	557/8	550/4
May	558/4	562/0	565/0	558/0
Jul	566/2	569/2	572/8	566/0
Aug	569/6	573/0	576/0	569/4
Sep	571/4	575/0	577/0	571/0
Nov	575/4	578/6	581/0	575/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.04	19.27	19.32	18.87
Jan	19.06	19.35	19.38	18.90
Mar	19.36	19.64	19.63	19.17
May	19.66	19.91	19.95	19.50
Jul	19.92	20.14	20.18	19.80
Aug	20.07	20.29	20.22	19.95
Sep	20.22	20.39	20.28	20.15
Oct	20.30	20.48	20.35	20.15

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	169.3	170.7	171.4	169.2
Jan	167.5	168.4	169.6	167.5
Mar	166.6	167.3	168.4	166.6
May	168.0	168.6	169.4	167.8
Jul	170.1	170.6	171.5	170.0
Aug	171.2	171.8	172.1	171.2
Sep	171.4	172.2	172.0	171.3
Oct	185.2	185.5	185.8	185.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	242/2	240/6	242/6	241/6
Mar	247/6	247/0	248/4	247/0
May	253/6	253/2	254/4	253/0
Jul	258/4	258/2	259/2	258/0
Sep	255/2	255/4	256/2	255/2
Dec	253/0	253/4	254/0	252/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	387/6	390/6	394/4	386/2
Mar	377/6	383/2	386/6	377/2
May	358/0	361/2	363/4	357/4
Jul	329/4	332/6	334/4	329/2
Sep	336/0	336/4	337/0	335/0
Dec	346/4	350/0	347/0	346/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.72	71.82	72.00	71.60
Feb	72.57	72.77	73.10	72.52
Apr	73.37	73.32	73.70	73.30
Jun	69.47	69.35	69.70	69.35
Aug	67.92	67.82	68.20	67.75
Oct	68.50	68.45	68.60	68.35
Dec	69.45	69.32	69.50	69.35

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.87	40.45	40.95	40.50
Feb	41.30	40.85	41.45	41.10
Apr	39.25	39.00	39.30	39.00
Jun	44.62	44.35	44.65	44.25
Jul	44.80	44.35	44.85	44.52
Aug	43.70	43.35	43.75	43.40
Oct	40.30	40.15	40.37	40.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.75	38.95	38.80	38.27
Mar	38.90	39.07	38.95	38.47
May	40.15	40.22	40.15	39.60
Jul	40.40	40.62	40.45	39.85
Aug	38.85	39.10	39.25	38.85

LONDON STOCK EXCHANGE

Political factors boost share prices

By Terry Byland, UK Stock Market Editor

A SUDDEN change in direction in the UK stock market, prompted by more optimistic views of the British government's re-election prospects following the Maastricht agreement, caught marketmakers short of stock yesterday and sent share prices ahead strongly. Trading volume, as measured by the Seaq network, jumped by nearly 30 per cent as continental European funds bought UK equities. The FT-SE Index quickly regained the 2,400 mark to close with a gain of 43.1 at 2,423.3.

Equities were also encouraged by the latest survey of distributive trades by the Confederation of British Industry, indicating that heavy price discounting pushed retail sales ahead last month. The running was taken up later by Wall Street, which climbed 21 Dow points in London hours, also stimulated by good news from the retail sector.

Account Dealing Dates

First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

The stock market made a sluggish start and slipped briefly into negative territory in early deals. While London strategists had already taken on board the signs that the outcome of the Maastricht summit had strengthened the political hand of Mr John Major, the UK prime minister, broader international factors soon made their presence felt in the UK market.

Firmness in sterling against the D-Mark was followed by reports from traders at some of the internationally orientated brokers that European funds, which have been absent from London for some weeks, had begun to buy. European funds have been notably sensitive to the possibility of a change of government at the next general election in the UK.

The Footsie Index quickly put on 30 points and then hung fire until Wall Street came in. When the Dow raced ahead in early trading, London resumed the upward track and closed very near the best levels of the day.

Traders reported that a substantial trading programme was operated by a leading Swiss-based securities house. Seaq volume bounded ahead to a final total of 645.4m shares traded for the day, compared with 497.2m on Wednesday.

Traders warned that a substantial contribution to the day's share volume still came from the marketmakers, who were forced to raid one another for stock as the buyers ransacked a market very short of shares to sell to the sudden wave of retail customers.

The most important question for market traders is whether, and if so by how much, genuine retail activity by the institutions increased yesterday. Stock Exchange statistics disclosed that retail business on Wednesday remained uninspiring at a money value of only £859.5m. – a fair average for the past fortnight but still uncomfortably below the levels regarded as neccessary for a profitable equity market.

The poor levels of business in the UK equity market have revived fears that further staff cutbacks are pending among London-based securities firms, or even that some of the weaker market contenders may decide to pull out altogether.

The CBI's favourable report on retail sales brought widespread gains among the leading store groups, with GUS, a notably narrowly-traded stock, rising particularly strongly.

There were also sharp gains among the US-influenced blue chip stocks. Pharmaceuticals did well and there were buyers for RTZ, which has been out of favour for the past week.

Heavy buying of Racal

SHARES in Racal Electronics, involved in a battle to fight off an unwanted bid from Williams Holdings, the conglomerate, were heavily supported yesterday, climbing 4 to 51p in exceptionally heavy turnover of 15m.

The big buying interest was carried mostly via the inter-dealer broker network, which guarantees anonymity for the buyer, triggering stories in the market that the method of buying and the size of the demand could mean a stakebuilder was at work.

Most electronics specialists were of the opinion, however, that a stakebuilding exercise was unlikely and said they felt the Williams offer was likely to fail. Behind the rise in the Racal share price was a clutch of broker buy recommendations after a series of company presentations to brokers and institutions.

Credit Lyonnais Laing, Robert Fleming Securities, UBS Phillips & Drew and Lehman Brothers are among brokers that have published buy recommendations on Racal in recent days.

Amstrad low

Amstrad, the electronics group, suffered another bout of heavy selling pressure which drove the shares down 3½ to 22½p, their lowest level for over four years. In August 1988 Amstrad shares were changing hands at 233p.

Behind the slide in the stock yesterday was some exceptionally heavy dealing in the stock in the traded options market, where a purchase of 1,000 puts triggered intense downward pressure on the underlying shares. There were also suggestions that one big institution was unloading lines of stock.

SmithKline firm

Pharmaceutical group SmithKline Beecham was firm on a belief in the market that the influential US Food and Drug Administration's (FDA) advisory committee was about to meet to discuss the company's anti-arthritis drug. The shares gained 14 to 835p. The FDA was unable to confirm the speculation last night. It said it was holding meetings on pulmonary allergy drugs, blood products and allergenic items.

Wellcome was a strong performer, with talk early in the day that a securities house was recommending the stock. The house in question, UBS Phillips & Drew, said the speculation was unfounded. However, the shares were squeezed up 21¼ to 933½p.

Fisons saw two-way business following its announcement on Wednesday that a ban in the US of two of its drugs, Opticrom and Imferon, would hit profits by £65m. The effect of the announcement was still filtering through to investors, but some analysts were turning buyers because of the relative cheapness of the shares. Mr Martin Hall of UBS Phillips & Drew said: "I think the downside from these levels is very limited."

Strength in the US helped Glaxo to rise 24 to 812p.

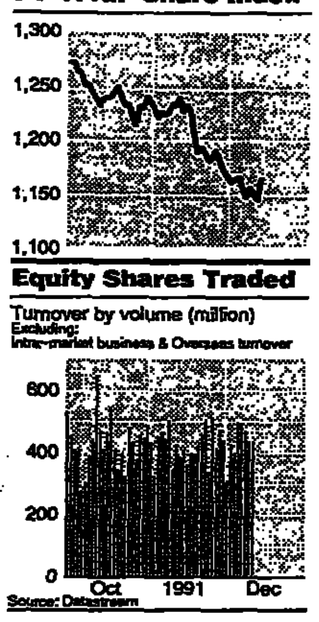
The belated stock market reaction to the Maastricht agreement, which prompted hopes that the government could well win next year's general election, caused a flurry of demand for utilities. The weight of buying quickly uncovered a number of substantial short positions in both the regional electricity companies and water stocks, which raced higher. The Electricity Package, pushed strongly in recent days by Kleinwort Benson, jumped 142 to £2730.

The big winners in electricity stocks included London, up 16 at 259p, Manweb, 15 firmer at 37p, and Seeboard, which climbed 14 to 272p. Anglian, 13 ahead at 353p, and Severn Trent, 12 to the good at 317p, were exceptional features in the water sector.

GEC attracted heavy demand after recent buy recommendations from such leading brokers as BZW and Warburg Securities. The shares closed 4¼ up at 188p on 15m traded.

BT "new" rallied 2¼ to 125¾p on 15m shares and the "old" 3¼ to 330½p.

Bass recovered 23 to 979p. The brewing, hotel and leisure group said it had agreed the sale of Leisure Investments, its Belgian off-track betting operation, but the principal reason for the rise was said to be a continuing feeling that the stock was cheap.



Source: Datastream

Property group Percy Bilton rose 10 to 479p as a rumour of renewed interest by Chelsfield, the private development group headed by Mr Elliot Bernerd, circulated the market.

Anxious Ladbroke executives have spent the past few days telling analysts that the company will not be making large property write-downs in its next accounts, and there were signs that these efforts were bearing fruit yesterday.

These concerns have become the focus of market concern as the shares have slipped on a series of downgrades reflecting the poor third and fourth quarters in the leisure sector. The group's brokers, S.G. Warburg and Smith New Court, have also been lobbying the institutions. The shares closed 14 stronger at 216p.

Granada Group advanced 8¾ to 180¼p as securities house Nomura declared itself satisfied with this week's results and raised its profits forecast for next year by £5m to £111m, with £130m pencilled in for 1993. Analyst Mr Roy Littleboy said improved revenues from business services and television broadcasting were behind the upgrade.

As the leisure sector bounced back from its recent spell in the doldrums, so too did Rank Organisation, which gained 19 to 574p.

Disposal of its shares in First Leisure by Anglia Television left the nightclub and Blackpool pier group off 5 at 278p on 10m shares traded. Anglia put on 5 to 200p. Analysts said the Anglia move was made to bolster its cash reserves in the wake of the franchise decision.

Oil shares staged a minor rally, helped by the strong performance of Wall Street and a bullish report from Kleinwort Benson, the stockbroker.

BP added 4 at 288p on 8m shares, while Shell moved up 7 to 475p. Lasmo, another of Kleinwort's favoured stocks, and currently embroiled in an intense takeover battle over Ultramar, edged up to 248p.

British Gas, still responding to the bad weather in the UK, as well as being affected by a shortage of stock in the market, moved ahead 9 to 254p.

The composite insurances produced some of the session's heaviest individual deals. A block of 4.5m Guardian Royal Exchange, said to have been part of a sizeable programme trade, was sold in the market at 119½p, causing a steep slide in Guardian shares, which were eventually 6 off at 126p, easily the lowest level for over four years. Turnover totalled 10m shares.

Sun Alliance also featured as one of the most heavily traded stocks, with one of the big UK integrated securities houses said to have sold a block of 3.1m shares at 283p. The successful placing of the stock, however, helped the shares stabilise and close unchanged at 291p on turnover of 6.6m. Sun Alliance has been badly affected by mortgage indemnity losses as the recession and plummeting house prices triggered record numbers of repossessions.

Specialty chemicals group Laporte rose 10 to 609p after the announcement on Wednesday night that it would be included in the Footsie.

Leather and hosiery group Hartstone shed 3 to 285p after announcing a rights issue at 235p per share on the basis of two new shares for every five held. The group aims to raise £65m towards hosiery acquisitions in France and Spain.

Courtaulds Textiles rebounded 16 to 405p on good turnover. The shares have suffered recently from consistent institutional selling.

A big buyer was reported in Johnson Matthey, which moved forward 17 to 322p.

Dowty Group weakened 11 to 143p after reporting a 74 per cent fall in interim profits to £10.1m, at the bottom end of market expectations. Analysts, many of whom reduced full-year forecasts from around £35m to £22m were, however, encouraged by the company's plans for disposals and its strategy to refocus the business. Recent bid talk persists and the shares rallied from the day's low to end 6 down at 148p in healthy turnover of 3.3m.

GKN rose 10 to 291p, lifted by news of a deal worth over $15m a year with Mazda in the US to supply parts for a new range of medium-sized cars.

Tomkins put on 10 to 409p, boosted by the announcement of its inclusion among the FT-SE 100 stocks. The recent stock overhang in TI Group faded, helping the shares to improve 11 to 544p.

Pilkington's disposal of its 48 per cent stake in Glass South Africa for around £93m helped it rise 9 to 132p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (18).
BRITISH FUNDS (1) Cv. 9pc 2011 B, OTHER FIXED INTEREST (1) Met. Water 3pc B, BREWERS & DISTILLERS (1) Bulmer (HP), BUSINESS SERVICES (4) Barbour Index, Inchcape, RCO, Warner Howard, CONTRACTING & CONSTRUCTION (2) Ball (AH), Boot (H), ENGINEERING GENERAL (1) Thornton (GW), FOOD MANUFACTURING (1) Unilever, FOOD RETAILING (1) Watson & Philip, HEALTH & HOUSEHOLD (2) Amersham Intl., Wellcome, HOTELS & LEISURE (1) Airbreak Leisure, METAL & METAL FORMING (1) Wood (SW), PACKAGING, PAPER & PRINTING (1) Bowmore Intl., PROPERTY (1) Baker Harris Saunders.
NEW LOWS (55).
AMERICANS (3) Citicorp, Pennzoil, Tenneco, CANADIANS (1) Nova Corp. of Alberta, BUILDING MATERIALS (1) Hewetson 7pc Prf., CONGLOMERATES (3) Cannon St. Invs., Hanson Wrrnts., Melville, CONTRACTING & CONSTRUCTION (1) Ward, ELECTRICALS (1) Chloride, ELECTRONICS (3) AB Elect., Amstrad, Sema, ENGINEERING AEROSPACE (1) Dowty, ENGINEERING GENERAL (4) Beaufort, Do. 7pc Prf., Ransomes, Utd. Scientific, FOOD MANUFACTURING (2) Linton Park, RHM, HOTELS & LEISURE (2) Kemp (PE), Rank Org., INSURANCE BROKERS (2) Alex. & Alex., Durham (DG), INSURANCE COMPOSITE (1) Trade Indemnity, INSURANCE LIFE (1) London & Manchester, INVESTMENT TRUSTS (3) Electra, Ensign Tst., Sphere Inc., MEDIA (1) Saatchi, METAL & METAL FORMING (3) British Steel, Garton Eng., Tinsley (E), MISCELLANEOUS (3) Dudley Jenkins, PFG Hodgson Kenyon, RPS, OIL & GAS (6) B.P., Cairn Energy, Canada Energy, Enterprise, LASMO, Triton Europe, OTHER FINANCIAL (3) FNFC 6.3pc Prf., Govett Amer. Endeavour, Union Discount, OTHER INDUSTRIAL MATERIALS (1) Whitecroft, PROPERTY (6) British Land (Jersey) 8½pc Cv. 2011, Chesterfield 5.25pc Prf., Derwent Valley, London Merchant Secs. Dfd., McInerney, Scott. Metropolitan, TEXTILES (2) Alexandra Workwear, Lister, TRANSPORT (1) Eurotunnel Wrrnts.

FINANCIAL TIMES STOCK INDICES

	Dec 12	Dec 11	Dec 10	Dec 9	Dec 6	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.05	86.97	86.81	86.65	86.70	83.31	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.12	97.00	96.76	96.67	96.70†	91.02	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1848.6	1809.4	1819.7	1830.0	1802.8	1704.9	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	160.3	164.3	169.7	166.5	163.5	139.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2423.3	2380.2	2392.0	2409.6	2388.7	2172.2	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1091.45	1082.86	1086.32	1086.51	1088.91	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.00	5.08	5.06	5.03	5.09	5.62				
●Earning Yld %(full)	7.49	7.61	7.58	7.53	7.61	11.74				
●P/E Ratio(Net)(☆)	16.78	16.52	16.58	16.70	16.51	10.29				
SEAQ Bargns 4.45pm	22,819	20,881	22,235	25,952	27,116	31,637				
Equity Turnover(£m)†	-	859.46	867.74	814.72	881.43	1315.69				
Equity Bargains†	-	20,828	21,808	26,789	27,614	39,727				
Shares Traded (ml)†	-	438.9	444.5	472.7	499.0	616.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.84. †Correction

Ordinary Share Index, Hourly changes Day's High 1849.0 Day's Low 1808.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1812.2	1809.8	1816.7	1826.8	1832.6	1832.9	1838.3	1838.8	1848.9

FT-SE 100, Hourly changes Day's High 2424.0 Day's Low 2378.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2384.0	2378.8	2387.5	2397.2	2404.8	2404.9	2409.3	2409.5	2422.7

FT-SE Eurotrack 200, Hourly changes Day's High 1091.85 Day's Low 1081.87

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1082.40	1082.10	1084.74	1087.39	1087.49	1089.37	1090.68

GILT EDGED ACTIVITY

Indices*	Dec 11	Dec 10
Gilt Edged Bargains	94.2	89.5
5–Day average	81.6	76.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AIT	39	296	+12	Cookson	2,000	157	+1	Lucas	806	115	+4	Shell Transport	2,000	475	+7
ASDA Group	65,000	34	+3	Courtaulds	1,000	467	+7	MB Caradon	352	252		Siebe	611	505	+12
Abbey National	3,500	284	+9	Dalgety	782	352	+1	MEPC	488	416	+5	Slough Ests	131	223	
Albert Fisher	1,000	69	+7	De La Rue	967	458	-1	Manweb	486	317	+15	Smith (W.H.) A	2,500	457	+5
Allied-Lyons	1,500	591	+7	Dixons	364	218	+3	Marks & Spencer	2,400	295	+4	Smith & Nephew	2,300	130	+4
Amstrad	2,200	22½	-3½	ECC Group	806	470	+14	Midland Bank	5,200	189	+4	SmKl Beecham	2,100	835	+14
Anglian Water	915	353	+13	Eastern Elect.	370	243	+7	Midlands Elect.	900	269	+11	SmKl Beecham Uts	33	2782	-50
Argos	1,900	276	+5	East Midland Elect.	740	256	+11	NFC	1,400	219	+7	Smiths Inds.	438	275	+7
Argyll Group	3,000	283	+2	Enterprise Oil	873	457	+5	NatWest Bank	3,200	269	+5	Southern Elect.	351	265	+12
Arjo Wiggins	1,800	258	+2	Eurotunnel Units	1,200	365	+11	National Power	3,600	150	+5	South Wales Elect.	259	302	+14
Ass. Brit. Foods	70	482	+9	FKI	30	53		Next	1,900	58	+1	South West Water	2,200	318	+7
BAA	1,500	514	+6	Ferranti	5,800	7¼	+¼	North West Water	1,700	343	+10	South West. Elect.	443	268	+11
BAT Inds	3,900	604	+14	Fisons	4,500	325	+5	Northern Elect.	362	275	+17	Southern Water	294	317	+9
BET	1,200	210	+6	Forte	11,000	222	+7	Northern Foods	394	571	+8	Standard Charter	337	415	+5
BICC	2,100	318	+12	Gen. Accident	331	439	+7	Norweb	1,300	288	+14	Storehouse	1,500	97	+2
[illegible]															
British Land	31	275	-1	Hillsdown	1,100	172	+3	Redland	1,200	934		Unilever	1,700	887	-16
BP	8,000	289	+4	IMI	584	273	[illegible]	Rolls Royce	9,200	123		United Biscuits	382	384	-7
British Steel	4,800	68½	+1½	ICI	1,000	1141	+8	Rothmans	178	1031	-2	Utd Newspapers	1,200	344	+2
British Telecom	3,500	330½	+3½	Inchcape	1,100	406	+5	Ryl Bk Scotland	1,600	157	+2	Vodafone	3,500	367	+1
Br. Telecom New	15,000	125¾	+2½	Kingfisher	1,100	509	+10	Royal Insurance	1,000	253	+3	Warburg (SG)	52	518	[illegible]
Bunzl	440	78	+1	Ladbroke	13,000	216	+14	Saatchi	1,900	9½	-¼	Wellcome	646	933½	+21½
Burmah Castrol	537	504	-1	Land Securities	341	477	+7	Sainsbury	4,900	358	+6	Welsh Water	420	353	+7
Burton	3,800	35	+1	Laporte	707	613	+10	Scottish & New	1,000	405	+5	Wessex Water	328	389	+5
Cable & Wire.	3,700	682	+2	Legal & General	2,400	350	+5	Scot. Hydro-Elect.	1,600	103	+2	Whitbread 'A'	2,630	414	+4
Cadbury Schweppes	4,700	430	+9	Lloyds Abbey	337	342		Scottish Power	7,300	103	+3	Williams Hldgs.	2,200	306½	+7½
Calor Group	197	226	+3	Lloyds Bank	1,300	366	+2	Sears	2,900	87½	+2½	Willis Corroon	8,100	253	+7
Carlton Comms.	2,400	488	+19	LASMO	1,430	248	-1	Sedgwick	424	208	+6	Wimpey	1,300	134	-6
Coats Viyella	1,700	172	+2	London Elect.	705	259	+16	Seeboard	193	272	+14	Yorkshire Elect.	1,200	304	+13
Comm. Union	140	455	+7	Lonrho	1,800	162	+3	Severn Trent Water	1,400	317	+12	Yorkshire Water	1,600	322	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE in Footsie futures triggered the strong advance of the December contract, pulling the underlying cash market higher, writes Joel Kibazo.

Trading in December began cautiously as dealers speculated about further falls after Wednesday's steep decline.

However, local traders, caught with short positions, started the advance and, at the day's peak, the contract was 17 points above its estimated fair value premium to cash. The buying was encouraged by a strong performance in the gilts market and the good performance of sterling.

The strong gain on Wall Street, particularly, was said to have encouraged buying from the US houses during the afternoon session.

December closed at 2,441, up 61 on the previous session and around 15 points above its estimated fair value premium to cash of about 3. Turnover reached 8,235 lots.

In the LTOM, turnover advanced from the recent meagre levels to reach 28,122. Asda was the busiest stock option. It had 4,745 lots dealt. Blue Circle was active and Amstrad, in which one securities house was reported to have done a bearish trade with a purchase of 1,000 puts, was the third busiest stock option on 1,715 lots transacted.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
12¾pc 1992‡‡	[illegible]	—	[illegible]	[illegible]	12.73	10.31
10pc 1992	[illegible]	—	[illegible]	[illegible]	10.02	10.30
2pc IL 1992‡‡	[illegible]	—	[illegible]	[illegible]	1.97	8.06
9pc 1992 ‡‡	[illegible]	—	[illegible]	[illegible]	8.07	10.06
10½pc Cv 1992‡‡	[illegible]	—	[illegible]	[illegible]	10.48	10.19
3pc 1992	[illegible]	—	[illegible]	[illegible]	3.08	8.10
Exch 12¼pc 1992	[illegible]	—	[illegible]	[illegible]	12.10	[illegible]
13½pc 1992	[illegible]	—	[illegible]	[illegible]	13.19	[illegible]
Treas 8¼pc 1993	[illegible]	—	[illegible]	94	8.41	[illegible]
10pc 1993‡‡	[illegible]	—	[illegible]	[illegible]	9.93	[illegible]
12½pc 1993‡‡	[illegible]	—	[illegible]	[illegible]	12.05	[illegible]
Funding 6pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	6.38	[illegible]
Treas 13¾pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.90	[illegible]
8½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	8.71	[illegible]
14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	13.32	[illegible]
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	12.57	[illegible]
Treas 10pc Ln 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.95	[illegible]
Exch 12½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	11.89	[illegible]
Treas 9pc 1994‡‡	[illegible]	—	[illegible]	[illegible]	9.17	[illegible]
12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	11.37	[illegible]
Exch 3pc Gas 90–95	[illegible]	—	[illegible]	[illegible]	3.30	[illegible]
10¼pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	10.13	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.68	[illegible]
14pc 1996	[illegible]	—	[illegible]	[illegible]	12.41	[illegible]
9pc 1992–96‡‡	[illegible]	—	[illegible]	[illegible]	9.13	[illegible]
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.91	[illegible]
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	108	11.89	[illegible]
Conversion 10pc 1996	101	[illegible]	[illegible]	[illegible]	9.90	[illegible]
Five to Fifteen Years						
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.74	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	10.21	[illegible]
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.11	[illegible]
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	117	12.34	[illegible]
9¾pc 1998	100	[illegible]	[illegible]	[illegible]	9.75	[illegible]
Treas 6¾pc 1995–98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	7.82	[illegible]
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
15½pc '98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.18	9.89
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	10.82	9.79
Treas 9½pc 1999‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.51	9.52
Exch 12¼pc 1999	112½	[illegible]	[illegible]	[illegible]	10.89	9.80
Treas 10½pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	10.08	9.69
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	9.96	9.69
9pc 2000‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.26	9.49
[illegible]						

BRITISH FUNDS - Cont.

Notes		Price £	+ or -	1991 high	1991 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	122¾	[illegible]	[illegible]	[illegible]	2.88	3.81
2pc '96	(67.9)	177	[illegible]	[illegible]	[illegible]	3.50	4.03
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	[illegible]	4.03	4.32
2½pc '03	(78.8)	[illegible]	[illegible]	[illegible]	133	4.10	4.35
2pc '06	(69.5)	[illegible]	[illegible]	[illegible]	135	4.17	4.37
[illegible]							

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Rover's designs on an arm's length basis

Royden "Roy" Axe, one of the motor industry's best-known designers, is leaving Rover Group after a decade of heading its design team.

Axe, 54, a larger-than-life, extrovert figure who quit as Chrysler's director of automotive design in 1981 to direct what was then BL's intended product-led revival, is officially retiring. In practical terms, however, he is maintaining his design relationship with Rover Group – but on a more arm's length basis.

He has formed Design Research Associates, a new company which is taking over the staff and premises of a design studio, separate from Rover's main Canley design centre, and which Axe has been running for Rover since 1989.

The studio, at Leamington Spa, was initially set up by Rover to carry out research on a number of specific projects outside the mainstream design activities.

The new company has a long-term consultancy agreement with Rover and Axe is to act as a special adviser to Rover on design matters. Chairman of the new enterprise is Les Wharton, managing director of Austin Rover until 1989 and who retired earlier this year. Axe takes the title of managing director.

Sony's sound strategy

SONY SOFTWARE, the music and films division of the Japanese consumer electronics group, is planning to strengthen its European operations with the appointment of Alan Phillips as vice president for sound technologies in the UK and the Continent.

Phillips, who will take up his London-based post next week, will liaise with the European music industry on Sony's plans for new products, focusing immediately on next year's launch of Sony's mini disc technology. The mini disc is a minitiarised, portable compact disc which can record as well as play music.

Phillips is moving from director responsible for international marketing and artistic development at Sony Music in London. He joined CBS Records in 1982 as a marketing manager before moving to Sony Music International in 1989 after Sony's takeover of CBS Records.

Moves in finance

■ Jean-Pierre Macé is returning to the UK as md of UCB Group, after a year in Paris with its parent company, Compagnie Bancaire.

■ LeRoy Rothe becomes chief executive officer of The MORTGAGE CORPORATION in place of Ray Pierce.

■ Paul Kerrigan is appointed director and head of central risk control of COUNTY NATWEST; he moves from Merrill Lynch Europe.

■ Alexander Catsiapis and Mukhtar Hussain are appointed trade finance directors of MIDLAND MONTAGU Trade Finance. Jeffrey Bailey is a director of Midland Bank AVAL.

■ Anthony Buckwell is director, corporate finance, of CAPITAL TRUST Ltd; he moves from Kleinwort Benson.

■ William Dobbie is promoted to finance director of BENCHMARK BANK.

■ Michael Watt is promoted to a director of TR FAR EAST INCOME TRUST.

■ Dick Withers Green, formerly vice-chairman of BZW Investment Management, has been appointed executive director of QUEEN ANNE'S GATE ASSET MANAGEMENT.

■ Gilbert Nockles is appointed executive director of GEMINI CAPITAL; he moves from Midland Montagu.

■ Joe McLeod is appointed European insurance banking director of BARCLAYS; he moves from Chase Manhattan.

■ STANDARD CHARTERED has appointed Roy England a director of its international banking department; he moves from Lloyds.

■ Andrew Simmons, David Green and Kimi Shimizu are appointed directors of GUINNESS MAHON.

■ Charles Bromley, formerly a director of NATWEST CAPITAL MARKETS, has become head of corporate finance at NIKKO EUROPE.

■ NATWEST FINANCIAL PRODUCTS has appointed Gregg Whittaker director of risk development and marketing in the US.

■ Adrian Collins and Pascal de Salaberry are directors of the TURKEY TRUST.

■ Christopher Davies, formerly a divisional md of Armstrong Equipment, is appointed chief executive of GKN AXLES.

■ Dominique Devinat has been appointed md of TELEMECANIQUE; he succeeds Bob Hudson who has been appointed international human resources director at the Paris HQ.

■ Clem Jansen is promoted to chief operating officer of SILVERMINES Group; he has been the director responsible for Silvermines' electrical and electronics division since 1989 and was previously an md with GEC. Philip Maguire is appointed director and general manager of Elequip, a subsidiary of Silvermines.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	1991 low	Mkt Cap£m	Yld Gr's
Abbott Labs	32⅜xd	-¾	34⅝	20⅞	13,809	1.7
♥Allegheny & W	258p	—	385p	218p	133.8	6.6
Amdahl	780pxd	—	18⅞	667p	775.6	0.8
Amer Cyanamid	31	—	42⅛	25⅝	2,909	2.7
Amer Express	10¼xd	-3/16	17⅞	9 11/16	4,616	5.5
Amer T & T	23 15/16xd	-1/16	24½	15¾	27,021	3.8
Ameritech	34⅞	—	38⅞	32½	15,289	5.5
BankAmerica	17⅛xd	-3/32	25 5/16	12 3/16	3,723	4.0
Bankers NY	34½xd	-¼	38 1/16	20 1/16	2,818	7.9
Bell Atlantic	26xd	—	30½	24¼	10,225	5.4
BellSouth	26⅛	—	31¼	25	12,793	5.9
♥Bethlehem Steel	6⅝xd	-⅛	11¼	6 3/16	504.6	3.4
Bowater	1089p	—	1839p	1046p	387.9	6.2
CPC	47¾xd	—	54 11/16	37 11/16	3,809	2.4
California Engy	816p	—	938p	420p	148.6	—
Campbell Soup	42⅞xd	-⅜	50	28¼	5,380	1.3
Chase Manhattan	8¼	-⅛	12¾	5 3/16	1,118	8.4
Chrysler	8 3/16xd	+1/16	9 3/16	5½	1,738	5.6
Citicorp	5⅛xd	-1/16	10⅝	5⅛	1,849	—
Colgate-Palm	24¼xd	+⅛	28⅝	21 3/32	3,482	2.5
Cont'l Bank	470p	—	828p	438p	474.9	7.2
Dana	14⅛xd	-¼	21⅝	13 13/16	580.6	6.4
Data General	835p	—	1262p	203p	238.4	—
Dial	23xd	+¼	25⅝	12⅞	988.5	3.4
Dun & Brad	27½	—	29⅝	20¾	4,989	4.4
Eaton	31⅝	—	40	24¼	1,876	3.9
Echlin	5⅞xd	-⅛	8½	5½	328.1	6.7
FPL	19 7/16xd	-3/16	20⅛	14 7/16	3,294	6.9
Fluor	19⅝xd	-3/16	30 1/16	17 7/16	1,588	1.1
Ford Motor	13 3/16xd	-1/16	23¼	13	6,382	4.2
Gen Elect	38¼xd	+⅛	46 13/16	28 3/16	31,414	3.2
♥General Host	422p	—	586p	270p	—	4.8
Gillette	25⅝xd	-⅝	45¾	20⅞	5,683	1.4
Hasbro	19⅞	—	20⅞	794p	1,133	0.7
Honeywell	31⅝xd	-13/16	38½	21¾	2,226	2.9
Houston Inds	23¼	—	23½	17⅞	2,997	7.2
IBM	48½xd	+3/16	72 13/16	46 13/16	27,748	5.6
Ingersoll-Rand	23 7/16xd	-½	32½	18 1/16	1,215	3.2
Lockheed	23⅝xd	—	28⅛	16⅝	1,495	4.8
Lowe's	1456p	—	2155p	1245p	830.6	2.2
Man Hanover ♦	11 13/16xd	-1/16	18⅞	8½	987.8	15.4
Merrill Lynch	27¼xd	-½	32⅞	10 1/16	2,797	2.1
Morgan (JP)	33⅞xd	-7/16	38¼	21 11/16	6,388	3.3
Morris (Philip)	37 13/16xd	-¼	44¼	25 1/16	35,123	3.1
NYNEX	42	—	46¾	33	8,468	6.1
♥Pac Agric	20½p	—	89p	15p	—	—
Pall	18⅞	—	23 15/16	15⅞	1,103	1.3
Pennzoil	38⅛xd	-3/16	46⅛	30⅛	1,217	5.6
Quaker Oats	38¾xd	-⅛	40½	24⅞	2,983	2.5
Rockwell	13⅞xd	-3/32	17⅞	12⅛	3,192	3.8
Rep NY	22½xd	—	27 11/16	16½	1,170	2.5
Sears Roebuck	19¼xd	+⅝	25⅝	12 13/16	6,623	5.8
Sthwestern Bell	32⅝xd	—	34½	25⅝	9,762	4.9
Sun Co	14¾xd	—	20¼	14 13/16	1,584	7.0
Tenneco	18 13/16xd	-3/16	27⅛	18 13/16	2,874	5.3
Texaco	31¼xd	-⅜	40½	29 7/16	8,877	5.8
Texas Instr	14 13/16xd	+1/16	20⅛	14⅝	1,224	2.7
Time Warner	45xd	-⅜	64½	37⅞	4,155	1.2
TRINOVA	9½xd	-1/16	18⅝	8 11/16	257.5	4.2
♥Unilab	509p	—	555p	250p	472.8	—
Utd Tech	25 13/16xd	+1/16	29⅞	22⅞	3,184	3.9
♥Utilitech	66p	—	92p	42p	—	—
US West	18⅞	—	23	18¼	7,711	6.2
Vanity	76p	—	162p	76p	10.6	—
Waste Manage	21 7/16xd	-1/16	24 7/16	16⅝	10,134	1.2
Whirlpool	1788p	—	2346p	1053p	1,237	3.5
♥Woolworth	13⅞	-¼	29 1/16	13½	1,809	4.4

CANADIANS

Notes	Price £	+ or -	1991 high	1991 low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	2p	—	11p	2p	—	—
Amer Barrick	1473p	—	1477p	953p	2,818	0.3
Bk Montreal	20¼	—	20 1/16	13	2,417	5.3
Bk Nova Scot	980pxd	—	1033p	536p	1,970	5.2
♥BC Gas	779p	—	852p	639p	—	3.3
BCE	22⅝	—	24	17¼	6,971	6.5
♥Brascan	688p	—	10½	647p	709.2	6.2
♥Brealrwater	114¼p	—	30p	9p	7.16	—
[illegible]						

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+or-	1991 high	low	Mkt Cap£m	Yld Gr's	P/E
‡‡Iverna West I£		47	—	61	30	14.9		—
‡‡Kells Mnls I£		39	−1	46	33	0.94		—
‡Kenmare		5½xr	−½	25	5½	5.28		—
‡‡Navan Res I£	n	16	—	20	15	8.67		—
Northgate Expl C$	s	48¾	—	99	47	6.16		—
North West Expl A$		6	—	16	5	2.02		—
Oryx Gold $		123	—	188	82	—		—
‡‡Ovoca Gold I£		10	−1	23	10	0.70		—
Plateau		14½	−1½	44	14½	2.71		—
RTZ		488	+20	605	404	4,865		5.3
♥Thorco Res		4⅞	—	11	3¼	—		—
‡Vizcaya		2½	—	10	2	1.34		—
♥Western & Pac C$		19½	—	152	19½	10.7		—
‡Young Grp		107	+1	133	106	9.99		6.5

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ∥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1989-90.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend
xc ex scrip issue
xr ex rights
xa ex all
xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116.0	116.0	123.0	-0.1	9.35
High Inc Equity	6	120.4	123.7xd	131.5	+0.1	6.46
Worldwide Bond	6	211.5	211.5xd	224.6	+0.8	6.68
Capital Growth						
American Growth	6	190.6	190.6	203.6	-2.0	1.10
Asian Pacific	6	115.4	115.4	123.4	-0.8	1.27
Assets & Earnings	6	170.9	170.5xd	182.3	+0.3	3.29
Capital Reserve Acc	0	111.0	111.0	111.1	...	6.83
Capital Reserve Inc	0	87.80	87.80	87.85	-0.02	6.83
Comdty & Energy	6	69.40	69.40	74.22	-1.30	1.83
1992 Enterprise	6	61.64	61.64	65.92	-0.11	3.13
Euro Capital Acc	6	81.40	81.40	87.05	+0.52	1.20
Euro Capital Inc	6	77.77	77.77	83.17	+0.50	1.20
General	6	160.4	160.4	171.5	+0.4	2.92
Japan	6	89.38	90.43xd	96.20	+1.24	-
Mastertrust	6	85.29	85.29	91.21	+0.20	2.81
UK Growth Acc	6	162.2	169.3	180.1	-0.4	2.21
UK Growth Dist	6	103.1	107.6xd	114.4	-0.3	2.26
US Emerging Cos	6	70.92	72.18	76.78	-1.18	-
Income & Growth	6	277.6	277.1xd	296.8	+0.9	4.72
Ethical	6	51.30	52.62	55.97	-0.05	2.79
International	6	58.99	59.39	63.18	+0.03	1.39
Dividend & Growth	6	45.23	46.41	49.37	+0.01	6.06
Global Gwth & Sec	6	52.39	52.62	55.97	-0.04	3.11

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1062.0	1062.0	1115.0	-17.0	-

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	27.59	27.59	29.25	-0.16	2.72
Cash	0	50.13	50.13xd	50.13	+0.01	10.19
European	5¼	63.18	63.18	67.02	-0.19	0.34
European Income	5¼	67.26	67.64xd	71.36	+0.24	1.72

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£17.38	17.38xd	18.34	...	1.48
Progressive Acc	5	£26.54	26.54	28.01	...	1.48
International Inc	5	£18.44	18.44	19.46	...	1.26
International Acc	5	£25.02	25.02	26.41	...	1.26
Can & Foreign Inc	5	214.7	214.7	226.6	-3.8	1.54
Can & Foreign Acc	5	256.6	256.6	270.8	-4.6	1.54
Special Sits Inc	5	198.7	198.7	209.7	...	1.40
Special Sits Acc	5	215.8	215.8	227.8	...	1.40
PEP Inc	5	132.6	136.3	143.9	...	2.14
PEP Acc	5	141.6	145.6	153.7	...	2.14
Growth Inc	5	74.02	74.02	78.12	-1.74	0.52
Growth Acc	5	74.78	74.78	78.92	-1.76	0.52

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5¼	114.7	114.7	122.6	-0.6	3.60
Dolphin Dividend	5¼	54.52	54.52	58.31	-0.94	6.59
Dolphin Int Inc & Gth	5¼	150.9	150.9	161.3	-1.3	4.86
Dolphin UK & Gen	5¼	34.28	34.28	36.66	-0.5	1.93
Dolphin Fund of Funds	5¼	44.72	44.72	47.82	-0.19	1.34

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	73.03	74.27	79.43	+0.26	2.71
Do (Accum)	6	78.21	79.54	85.07	+0.28	2.71
Service Cos	6	63.29	64.31xd	68.78	+0.24	1.98
Do (Accum)	6	67.22	68.30	73.05	+0.25	1.98
Income Growth	6	37.56	37.56xd	40.17	+0.10	5.59
Do (Accum)	6	54.08	54.08	57.84	+0.14	5.59
Higher Yield	6	30.25	30.40	32.51	-0.08	4.90
Do (Accum)	6	38.74	38.94	41.65	-0.10	4.90
American Gth Inc	6	32.16	32.16	34.40	-0.17	1.08
Do (Accum)	6	32.77	32.77	35.05	-0.17	1.08
European Growth	6	23.61	23.61	25.25	+0.02	1.40
Do (Accum)	6	24.27	24.27	25.95	+0.08	1.40
Global Bond Inc	6	22.54	22.61xd	24.18	...	6.03
Do (Accum)	6	26.74	26.83	28.69	...	6.03
Managed P'folio Inc	6	24.43	24.51	26.21	...	-
(Do Accum)	6	24.43	24.51	26.21	...	-

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	74.59	74.59	79.44	-0.08	2.62
Mngd P'folio Acc	6	137.6	137.6	146.5	-0.38	-
UK General	6	112.3	112.3	119.6	+0.20	4.24
Com & General	6	16.02	16.02xd	17.06	-0.09	11.16

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	66.15	66.38	70.85	+0.16	4.64
Acumen Reserve	3	66.58	66.58	68.57	...	9.64
American Income	5	121.63	121.70	128.80	-0.90	2.68
Equity Income	5	74.19	74.19xd	79.17	+0.18	6.38
European	5	49.35	49.35	52.64	+0.22	1.57
Far Eastern	5	101.64	101.70	108.50	...	0.91
Smaller Cos	5	45.13	45.13xd	48.16	-0.01	3.48
Olympiad	5¼	43.61	43.61	46.54	+0.08	1.03
Olympiad Income	5¼	40.97	40.97xd	43.72	-0.04	6.26
UK Growth	5	69.94	70.68	75.44	-0.18	2.07

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gr's
Funds in Court*				
Capital Dec 12	467.53	470.98	--	3.00
Gross Dec 12	174.61	176.02	--	11.08
High Yield Dec 12	273.64	275.83	--	7.98
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Magd.	50.0	51.07	+0.15	4.32
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Magd P'Folio	1113.0	1200.0	--	-
Magd Fund (Acc)	63.3	67.5	--	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	...	6.00
Inc Gth Prp Apr 16	£1375.0	1400.0	--	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Dec 11	£3015.7	3903.5	---	4.10
European Dec 11	£522.8	528	---	2.15
American Dec 11	£326.9	329.1	---	2.47
Japan Dec 11	£462.6	467.8	---	1.99
Pacific Dec 11	£130.1	135.6	--	2.07
W Midlands Sep 30	£136.50	152.30	---	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Nov 30	195.55	197.40	---	7.94
Equity Nov 30	834.90	846.60	--	4.13
*Available only to Local Authorities				
M & G Securities Ltd				
Charibond Dec 31		103.2xd	+0.4	10.45
(Accum Units)		608.78	+1.9	10.45
NAACIF Dec 10		40.09xd	---	9.69
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Dec 10	119.0	128.0	---	2.32
UK Small Co † Dec 10	519.2	569.8	---	3.51
Fixed Interest † Dec 10	108.7	114.3	-	8.75
US Small Co Dec 10	153.6	164.3	---	0.00
Managed Dec 10	105.8	111.2	---	3.55
Int'l Bond Dec 10	117.7	124.0	---	10.34
Japan Dec 10	68.50	73.30	---	0.40
European Dec 10	83.53	89.45	---	2.07
Nth American Dec 10	104.1	112.2	---	1.44
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Dec 11	49.32	51.29	--	2.10
Euro Expt Dec 11	47.93	50.35	--	2.75
Fixed Int Ex Dec 11	46.07	47.21xd	--	10.17

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Life Funds				
Fixed Int. Dep. Acc.	326.1	343.3	+0.1	-
Equity Acc	983.8	1035.6	+8.4	-
Property Acc.	487.8	513.5	-	-
Far East Acc.	191.3	201.4	+1.1	-
European Acc.	24.4	25.7	+0.2	-
Managed Cap.	413.2	435.0	+3.1	-
Managed Acc.	774.4	815.2	+5.8	-
O'seas Earnings Acc	682.8	717.9	+5.3	-
Gilt Edged Acc.	372.9	392.6	+0.5	-
American Equity Acc.	514.5	541.6	-5.8	-
American Man Acc.	229.9	242.0	-2.5	-
American Prop Acc	120.3	126.7	-1.0	-
High Income Acc.	22.8	24.1	+0.2	-
Ser 4				
Fixed Int Dep Acc.	27.1	28.6		-
Equity Acc.	25.7	27.1	+0.2	-
Property Acc.	23.3	24.6		-
Far East Acc.	22.2	23.4	+0.1	-
European Acc.	20.5	21.6	+0.1	-
Managed Acc.	25.9	27.3	+0.2	-
Overseas Acc.	26.4	27.8	+0.2	-
Gilt Acc.	28.9	30.5	----	-
Am Equity Acc.	25.4	26.8	-0.3	-
Am Managed Acc.	24.8	26.2	-0.3	-
Am Property Acc.	20.8	21.9	-0.2	-
High Income Acc.	22.8	24.1	+0.2	-
High Income Ser 2	22.8	24.1	+0.2	-
Pension Funds				
F.I. Dep. Cap.	359.9	378.9	+0.1	-
F.I. Dep Acc.	672.8	708.3	+0.2	-
Prop. Cap.	505.5	532.2	-0.1	-
Prop. Acc.	1045.4	1100.5	-0.2	-
Man. Cap.	846.2	890.8	+4.5	-
Man. Acc.	1750.3	1842.5	+9.7	-
Gilt Edged Cap.	365.3	384.6	+0.3	-
Gilt Edg Acc	616.1	648.6	+0.6	-
Eq. Cap.	1370.5	1442.7	+8.5	-
Eq. Acc.	2146.8	2259.8	+13.6	-
Am Eq Cap.	180.8	189.5	-2.0	-
Am Eq Acc.	237.1	249.6	-2.7	-
Far East Cap.	198.5	209.0	+1.0	-
Far East Acc.	261.6	275.4	+1.3	-
Euro Cap.	28.1	29.6	+0.1	-
Euro Acc.	33.3	35.1	+0.1	-
B.S. Cap.	419.9	440.9	+0.1	-
B.S. Acc.	762.8	801.0	+0.2	-
D.A.F. Cap.	323.4	323.4	+0.1	-
D.A.F. Acc.	528.6	528.6	+0.2	-
Mortgage Cap.	193.8	204.1	----	-
Mortgage Acc.	255.5	269.0	+0.1	-
Barings Funds				
Pen Eqy Cap.	30.3	31.9	+0.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
Century Life Plc				
2 Eyre Street Hill, London EC1R 5AE 071-278 4488				
City Of Edinburgh Life Assurance				
Life Funds				
Far East Emerg Econ.	35.8			
Fund of Inv Tsts.	56.5			
Money	155.9			
Special Situations	79.5			
UK Growth	120.4			
World Growth	114.6			
Pension Funds				
Fund of Inv Tsts	124.6			
Special Situations	117.6			
UK Growth	201.1			
World Growth	141.7			
UK Life Assurance				
Managed	100.0			
Property	121.6			
Equity	130.6			
International	86.6			
Fixed Interest	130.4			
Deposit	138.1			
Langham 'A' Plan	105.8			
Langham Prop Bond	609.8			
Langham Wisp Managed	159.6			
Pension Funds				
Managed Capital	72.8			
Managed Accum.	101.4			
Property Capital	92.6			
Property Accum	128.7			
Equity Capital	98.6			
Equity Accum.	137.4			
Intl Capital	59.7			
Intl Accum	83.1			
Fxd Int Capital	104.2			
Fxd Int Accum	145.0			
Deposit Capital	119.9			
Deposit Accum	167.1			
Langham Harvest	276.4			
Citibank Life				
Perrymount Road, Haywards Heath				
Managed Ser 1	203.4			
Equity Ser 1	382.7			
Smaller Co's Ser 1	220.3			
Recovery Ser 1	110.4			
Property Ser 1	192.9			
International Ser 1	287.6			
European Ser 1	108.7			
American Ser 1	148.7			
Managed Ser 2	260.4			
Equity Ser 2	380.7			
Managed Acc Ser 3	112.0			
Equity Acc Ser 3	124.0			
Annuity Fund	106.5			

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar strengthens on US data

THE DOLLAR was slightly firmer yesterday as the markets took heart from the latest US retail sales and weekly jobless figures, while sterling continued to strengthen against the D-Mark in the wake of the Maastricht summit.

November US retail sales rose 0.3 per cent against October's unchanged figure and expectations of a 0.2 per cent increase. New applications for unemployment insurance benefits fell 61,000 to 414,000 in the week ended November 30, compared with estimates of 447,500.

The announcements spurred some modest dollar buying and allowed a recovery from the lows tested earlier in the day. The dollar closed at DM1.5805 from DM1.5765.

As well as boosting the US currency, the economic figures also spurred a strong rally on Wall Street. However, analysts said the data contained few signs of economic recovery and would not delay a cut in the discount rate.

A ½ point cut to 4 per cent could come today if the November consumer prices figures show that inflation is still under control. A monthly increase of 0.1 per cent is expected. But the Federal Reserve may wait for its open market committee meeting on Tuesday before easing policy.

Apart from the small flurry of business after the US figures, the exchange markets were quiet for much of the day. Currency dealers said the market was already winding down for Christmas with many of the larger institutional investors no longer active.

Dealers said the dollar now has a broadly stable tone, despite the threat of lower interest rates. But Mr David Cocker of Chemical Bank said that the dollar tended to strengthen during the first half of December and then weaken in the final fortnight. He noted that in fifteen out of the last eighteen years, the market has followed that pattern.

Within the ERM, sterling continued to attract investor interest following the Maastricht summit. The pound closed at DM2.8600 from DM2.8525; and was higher at FFr9.7675 from FFr9.7425; but was slightly lower at $1.8090 from $1.8100.

Sterling money market rates eased further, with three months money down 1/16 at 10⅝-½ per cent. However, the market is still some way from anticipating a reduction in UK interest rates - an outlook that is unlikely to change as long as sterling remains at the bottom of the ERM.

The rest of the ERM was stable as the approach of the Bundesbank council meeting next week appeared to have less of an impact on sentiment than before the last meeting. Dealers were increasingly of the view that ½ point rise in the Lombard rate to 9½ per cent would be the last and may not upset ERM currencies.

The French franc was firmer for much of the session on increasing speculation that interest rates could rise by ¼ point, although towards the close it weakened. The mark finished at FFr3.416 from FFr3.415.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.165	-2.59	5.21	45
Belgian Franc	42.4032	41.9659	-1.03	3.55	43
D-Mark	2.05586	2.03700	-0.92	3.43	49
Dutch Guilder	2.31643	2.29523	-0.92	3.43	38
Irish Punt	0.767417	0.764399	-0.39	2.88	11
Italian Lira	1538.24	1538.26	0.00	2.48	-7
French Franc	6.89509	6.95582	0.88	1.58	-57
Danish Krone	7.84195	7.92419	1.05	1.42	-55
Sterling	0.696904	0.714185	2.48	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.12	Latest	Previous Close
£ Spot	1.8080-1.8090	1.8075-1.8085
1 month	0.89-0.87pm	0.90-0.88pm
3 months	2.67-2.64pm	2.68-2.65pm
12 months	9.75-9.65pm	9.85-9.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT - FORWARD AGAINST THE POUND

Dec 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8045 - 1.8150	1.8085 - 1.8095	0.89-0.87cpm	5.84	2.69-2.66pm	5.91
Canada	2.0605 - 2.0710	2.0640 - 2.0650	0.59-0.50cpm	3.17	1.74-1.61pm	3.25
Netherlands	3.2075 - 3.2275	3.2175 - 3.2275	¼-⅛cpm	0.70	⅜-¼pm	0.78
Belgium	58.55 - 59.05	58.85 - 58.95	1⅛-⅝cpm	0.18	14-8pm	0.75
Denmark	11.0795 - 11.1375	11.1250 - 11.1350	1¼-⅜orepm	0.94	2⅜-1⅞pm	0.85
Ireland	1.0680 - 1.0740	1.0720 - 1.0730	0.03-0.07cdis	-0.56	par-0.10dis	-0.19

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Official rate. Floating rate £-2575.0 $-1420.0

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 5⅛-5 1/16 per cent; three years 5⅞-5¾ per cent; four years 6⅛-6¼ per cent; five years 6⅜-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.809	2.860	233.8	9.768	2.525	3.223	2159	2.065	58.90	1.406
$	0.553	1	1.581	129.2	5.400	1.396	1.782	1193	1.142	32.56	0.777
DM	0.350	0.633	1	81.75	3.415	0.883	1.127	754.9	0.722	20.59	0.492
YEN	4.277	7.737	12.23	1000.	41.78	10.80	13.79	9234	8.832	251.9	6.014
F Fr.	1.024	1.852	2.928	239.4	10.	2.585	3.300	2210	2.114	60.30	1.439
S Fr.	0.396	0.716	1.133	92.59	3.869	1	1.276	855.0	0.818	23.33	0.557
N Fl.	0.310	0.561	0.887	72.54	3.031	0.783	1	669.9	0.641	18.27	0.436
Lira	0.463	0.838	1.325	108.3	4.524	1.170	1.493	1000.	0.956	27.28	0.651
C $	0.484	0.876	1.385	113.2	4.730	1.223	1.561	1046	1	28.52	0.681
B Fr.	1.698	3.071	4.856	396.9	16.58	4.287	5.472	3666	3.506	100.	2.387
Ecu	0.711	1.287	2.034	166.3	6.947	1.796	2.292	1536	1.469	41.89	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	1.40	-	-	0.53	0.70	-
107	0.83	1.63	-	0.97	-	-
108	0.45	-	-	1.56	-	-
109	0.21	-	-	-	-	-
Open Int.	154,994	11,044	50	97,556	12,910	100

Estimated volume 34,868 Total Open Interest 276,654

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

POUND - DOLLAR

MONEY MARKETS

World rates ease

INTEREST rates continued to ease in the world's major money markets yesterday as the dollar firmed and the D-Mark weakened, although trading was quiet in advance of the Christmas holiday.

In the UK the key three months inter-bank rate was down 1/16 at 10⅝-½ per cent; six months was off 1/16 at 10 9/16-7/16 per cent; and one year money was up 1/16 at 10 7/16-5/16 per cent.

Three months money has dropped by ¼ point since the Maastricht summit as sterling recovered, particularly against the D-Mark. Sterling closed at DM2.8600 from DM2.8525.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Analysts said there had been worries during the Maastricht summit that if the talks failed, sterling could come under pressure within the ERM.

In the futures market, the March short sterling contract rallied strongly. It closed at 89.87, up 15 points on the day. The futures market is still not anticipating a cut in UK interest rates by the end of March, although if current trends continue it soon will.

Yesterday the March contract was implying an interest rate of 10.13 per cent by the end of that month, compared with the current 10.5 per cent level of base rates.

Overnight money fell to 8 per cent before recovering to close broadly steady at 10⅝ per cent. The Bank of England initially forecast a money market shortage of £1.35bn, which it later revised to £1.25bn.

Overnight money dropped after it injected early assistance of £939m and later added a further £308m, which left the market with no liquidity needs at the end of the session.

German short-term money continued to ease following the Bundesbank's injection of liquidity at its securities repurchase tender in the previous session. Call money fell to 9.05-9.15 per cent from 9.10-9.15 per cent.

Higher bank reserve holdings with the Bundesbank also kept call money rates under pressure. Holdings rose to DM80.2bn on Tuesday from DM76.8bn on Monday.

In the US, the Federal Reserve refrained from open market operations, despite speculation that the Fed would add liquidity via a four day system repurchase agreement.

Fed funds were trading at 4½ per cent from 4 per cent at the previous close. Analysts believe the Fed is targetting funds at 4½ per cent, following a clear signal in its money market operations last week that it intended to ease.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.12) 3 months US dollars — bid 4 7/16 — offer 4 9/16 — 6 months US Dollars

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

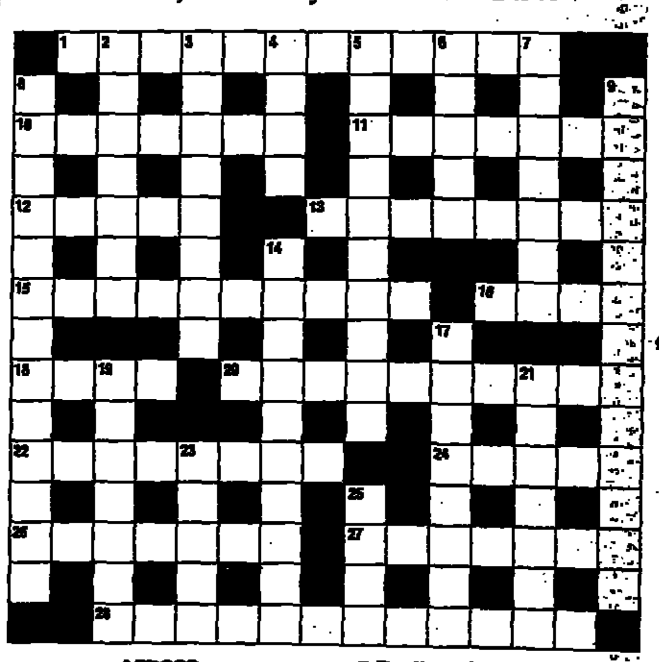
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,723 Set by HIGHLANDER



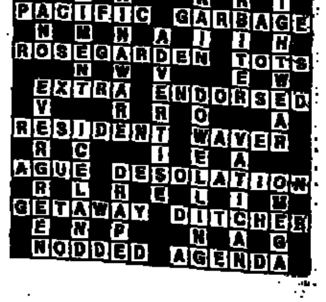
ACROSS

1 Construction theory: Principal takes it, without opening address (12)
10 Hopes for instance to cover ecclesiastical summit (7)
11 A Catholic colony is the place for records (7)
12 Whimsical peer turns left, right into pretty girl (5)
13 Drop Christmas speaking programme (8)
15 Good-humoured about gold key being within one's budget (10)
16 Man with paper in lift (4)
18 Christmas tip for parents: hide the wine (4)
20 Protest against Israel designed to induce loss of confidence (10)
22 Military engineers face providing a cure (8)
24 More boring equipment needed for the Wash (5)
26 Was situated right inside forward military area (7)
27 Infection gives one bad temper to start with (7)
28 Epicure: a strong cook, with merit award (First) (12)

DOWN

2 Blame the agent over building cover (7)
3 Usher in line for coat of arms (8)
4 Pitching motion starts to tip over ship (4)
5 Minister takes gamble on Official List turnover (10)
6 Spotted without an elder relative (5)
7 English film has no central character who enjoys sensual pleasures (7)
8 County Council admits a raid mishandled by cop contributed to medical emergency (7,6)
9 Safe target he butchered was Russian leader (5,3,5)
14 With criminal, sex is first element to be considered (10)
17 Tie up, tie up, over in officers' quarters (8)
19 Break in prison sentence served by convict (4-3)
21 Point put by chemical supplier produces frigid reaction (7)
23 Put on something that covers bandage (5)
25 Scarcely sufficient time has gone to check thoroughly (4)

Solution to Puzzle No.7,722



هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · FRANCE (continued) · GERMANY (continued) · NETHERLANDS · SWEDEN (continued) · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NORWAY · SPAIN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

CANADA

TORONTO

3:00 pm prices December 12

Quotations in cents unless marked $

MONTREAL

3:00 pm prices December 12

Total Sales 9,277,500 shares

INDICES

NEW YORK

DOW JONES	Dec 11	Dec 10	Dec 9	Dec 6	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2865.38	2863.82	2871.65	2886.40	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.69	97.79	97.82	97.85	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1160.50	1171.90	1184.42	1198.62	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.27	219.70	220.77	221.14	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2889.53 (2891.10) Low 2832.29 (2841.23)

STANDARD AND POOR'S

	Dec 11	Dec 10	Dec 9	Dec 6	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	377.70	377.90	378.26	379.10	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	444.53	444.82	445.36	446.75	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.10	30.15	30.15	30.02	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.53	208.86	209.21	209.74	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	366.48	368.17	370.59	372.63	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	531.64	534.23	535.35	536.30	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Dec 6	Nov 29	Nov 22	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.15	3.15	3.98

	Dec 4	Nov 27	Nov 20	year ago (approx.)
S & P Industrial div. yield	2.80	2.82	2.80	3.42
S & P Indl. P/E ratio	22.98	22.78	22.79	15.37

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Owens-Ill	9,404,600	10½	....
Telefonos	5,127,400	39¾	- 1½
IBM	2,588,500	87¾	+ 1½
ADT	2,470,100	5⅞	- ⅛
Glaxo	1,744,800	29	- ¼
RJR Nabisco	1,731,100	10½	- ¼
Gen Motors	1,697,600	28	- ½
Philip Morris	1,667,500	68¾	- ⅛
Pepsico	1,628,400	30¾	....
AT & T	1,502,800	37¾	....

TRADING ACTIVITY

† Volume (Millions)	Dec 11	Dec 10	Dec 9
New York SE	206.010	191.810	174.700
Amex	17.801	16.191	13.523
NASDAQ	174.445	157.622	155.387
NYSE			
Issues Traded	2,175	2,187	2,163
Rises	615	633	696
Falls	1,012	1,030	946
Unchanged	548	524	521
New Highs	39	60	66
New Lows	116	96	77

CANADA

TORONTO	Dec 11	Dec 10	Dec 9	Dec 6	1991 HIGH	1991 LOW
Metals & Minerals	2752.01	2748.75	2750.17	2796.48	3299.99 (18/7)	2632.06 (9/1)
Composite	3351.92	3374.70	3382.89	3426.53	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1776.29	1789.08	1790.44	1817.78	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 12	Dec 11	Dec 10	Dec 9	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.9	1564.6	1572.5	1580.7	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	632.9	622.6	628.8	629.4	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	379.16	379.48	382.71	388.77	534.81 (16/4)	379.16 (12/12)
BELGIUM						
BEL20 (1/1/91)	1066.60	1061.52	1058.46	(u)	1212.15 (17/6)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	347.46	347.68	348.42	349.73	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	779.1	776.7	797.4	801.4	1186.9 (8/4)	776.7 (11/12)
FRANCE						
CAC General (31/12/82)	453.07	450.03	455.44	459.52	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1671.62	1645.56	1636.93	1663.37	1887.29 (1/15)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	629.45	628.22	633.13	638.77	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1778.2	1773.9	1788.8	1804.6	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1546.39	1540.59	1551.11	1559.05	1725.80 (1/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4096.00	4097.23	4128.32	4203.20	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1354.52	1351.34	1339.85	1344.60	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	489.75	487.87	482.89	487.23	619.38 (3/6)	482.89 (10/12)
JAPAN						
Nikkei (16/5/49)	21712.57	21502.90	21953.06	22352.88	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1683.04	1666.70	1685.83	1702.43	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2481.29	2466.62	2485.68	2489.49	3423.45 (10/5)	2466.62 (11/12)
MALAYSIA						
KLSE Composite (4/4/86)	532.69	530.90	531.75	531.42	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS TU Rtn.Gen (End 1983)	268.8	267.5	269.1	269.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	188.8	187.9	189.0	189.5	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	653.73	643.84	647.00	650.72	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1125.77	1129.08	1141.13	1111.42	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	387.66	387.09	388.83	388.95	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1232.0	1256.0	1290.0	1287.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4153.0	4157.0	4172.0	4172.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	653.40	641.15	635.76	615.70	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	238.97	237.96	240.91	(c)	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	902.5	902.6	910.1	912.6	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	711.0	707.3	710.7	713.1	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	578.2	575.5	578.5	581.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4439.97	4401.79	4455.76	4473.82	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	699.69	695.10	(c)	701.51	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) (S)	498.2*	494.5	498.1	501.7	529.2 (17/4)	439.1 (16/1)

**Saturday December 7. Taiwan Weighted Price: 4501.90; Korea Comp Ex. 619.88

‡ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 12 December 1991

	Stocks Traded	Closing Prices	Change on day
Toyo Ink	17.3	908	+5
Osaka Gas	3.9	600	0
Mitsubishi Heavy	3.3	681	+10
Hitachi	3.0	915	+14
Okamoto	2.9	1,070	-10
Chugoku Marine	2.8	1,090	0
Tsubakimoto	2.7	831	+42
Nippon Steel	2.4	366	+3
Fujitsu	2.2	855	+30
Mitsui Sugar	2.2	600	+36

Prices data supplied by Telekurs.

3:00 pm prices December 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
66	35¼	Xerox x	3.00	4.8	59	3573	62⅞	60⅞	62⅞	+1¾
51⅝	43¼	Xerox4.125 x				6	51	51	51	
25⅛	14¼	Xtra 1.94				29	23½	23⅛	23½	+⅛
29¾	14¼	Xtra Corp	0.72	2.6	13	27	27½	27	27½	+½
27⅞	21¾	Yankee Egy r	1.60	6.3	12	51	25⅝	25½	25½	
1½	⅛	Zapata			49	287	⅝	d½	½	
9⅝	5¼	ZenithElec			2	396	7	6¾	6⅞	−⅛
18½	12	Zenith Nat x	1.00	7.0	118	159	14½	13¾	14¼	−½
6⅞	4½	Zenix Inc x	0.84	13.4		197	6⅝	6⅛	6¼	
15⅛	10¼	Zero Corp	0.40	4.0	13	168	10⅜	d10	10⅛	−¼
41⅞	28½	Zurn Ind x	0.88	2.9	12	252	31⅛	30½	30¾	−½
13½	10¾	Zweig Fund	1.16	9.2		183	12¾	12½	12⅝	
10½	8½	Zweig Tot x	0.96	9.4		848	10¼	10⅛	10¼	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 12

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices December 12

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1966	27½	26	27	+½
XL Data		31	89	10½	10⅜	10½	
Xoma Corp		11	7211	20½	18¾	20¼	+1¼
Yellow Fr	0.94	86	1761	26⅛	25⅝	25⅞	−⅛
York Rsch		59	675	7½	6⅞	7⅛	+⅛
ZionsUtah	1.44	8	20	39¾	38	39	+⅛

AMERICA

Dow stages revival after seven days on downgrade

Wall Street

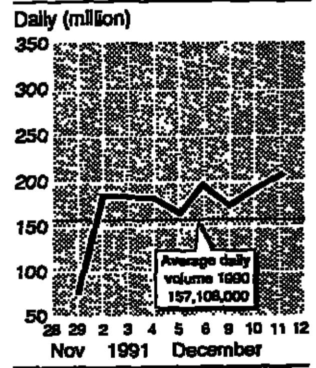
THE STOCK market snapped a seven-day losing streak yesterday, with share prices rising across the board in the wake of some mildly encouraging economic news, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 17.89 at 2,883.27. The more broadly based Standard & Poor's 500 was also firmer by midsession, up 3.09 at 380.79, while the Nasdaq composite of over-the-counter stocks gained 3.65 to 535.29. Turnover on the New York Stock Exchange was heavy at 115m shares.

A range of economic statistics appeared to have spurred demand. The Labor department reported that producer prices had risen 0.2 per cent during November, which was good news for the equity market because it confirmed that inflationary pressures in the economy continued to weaken. The Commerce Department later reported that retail sales last month had risen by 0.3 per cent, a bigger gain than expected but not enough on its own to suggest that the current slump in economic activity was over.

There was also news of a 61,000 decline in the number of people claiming state unemployment insurance in the last week of November. Although that week's numbers were distorted by the Thanksgiving holiday, together with the market's resilience around the 2,850 level they helped to attract buyers back to equities.

NYSE volume



Among individual stocks, news that Wells Fargo, the west coast banking group, would have to make a loan loss provision of about $700m in the fourth quarter and reduce its dividend was greeted warmly, with the shares rising $3¼ to $60½ in active trading. A subsequent announcement from Moody's Investors Service, the ratings agency, that Wells Fargo long and short-term ratings were being placed under review because of the provisions failed to stem demand.

Other banks stocks rose in response, particularly those in California. Citicorp was up $¼ at $10 and Chemical $1¼ at $20, while the west coast duo of BankAmerica and Security Pacific were up $1⅛ at $32⅝ and $1¼ at $26⅝, respectively.

IBM, $1⅝ higher at $89⅝, rebounded from some of its recent losses.

On the over-the-counter market, Cytrx jumped $¼ to $6 in volume of 2m shares after Kemper Securities, the Chicago-based research house, began coverage of the stock with a strong buy recommendation.

Healthcare Services plummeted $2¼ to $12⅞ after the Securities and Exchange Commission said it was reviewing the company's business and financial statements. Laserscope gained $1⅝ to $7⅝ after its Japanese distributor won approval to import the company's surgical systems product.

BRAZIL JUMPED 8.8 per cent by midday yesterday on news that the government and the main opposition party had agreed on a tax reform package. Delays to the reform had been one of the factors depressing São Paulo recently.

Canada

A SHARP fall in the gold price sent gold shares tumbling, pulling Toronto stocks moderately lower at midday in otherwise featureless trade. The gold index accounts for 7.5 per cent by weight of the TSE 300 composite index.

The TSE 300 dropped 12.0 to 3,340.0, declines leading advances by 248 to 178 in volume of 11.35m shares as, among gold issues, American Barrick fell C$⅞ to C$29⅝, Placer Dome lost C$⅝ to C$12½, Teck Corp class B eased C$¼ to C$18⅞ and Echo Bay slipped C$⅝ to C$8¼.

Declines in European volume outpace gains

Turnover fell sharply last month in France, Italy and the UK, says William Cochrane

IN AGGREGATE, European equity markets failed last month to extend the increases in activity registered in October, after the summer holiday lull.

Five of the eight bourses covered by the County NatWest Securities calculations did show rises in volume on the month. Belgium was the best performer in volume terms a month ago, partly owing to the bid for Wagons-Lits, the travel company, by Accor, of France; in November, the Brussels market took a general election in its stride and put up the best gain, 6 per cent, as minority holders in Wagons-Lits mounted a campaign to get the bid increased.

Falls in the other three – France, Italy and the UK – were more marked than the average gains recorded elsewhere. Of the big losers, the UK and France, with volume declines of 9.7 and 8.7 per cent respectively, were also among the markets which fell most steeply in share price terms, by 5.7 and 3.5 per cent.

In a UK review dated a week ago, Mr Stephen Carr and Mr George Hodgson of S.G. Warburg said the London market's loss of nerve during the preceding couple of months, on doubts about UK economic recovery, a weak pound and the fear that the next move in interest rates might be up, had been given additional force by the risk of dividend cuts at several leading companies.

They added that more than £9.5bn of rights calls, a heavy privatisation programme (£7.5bn) and the return to substantial funding in the UK gilt market, had all conspired to bring institutional liquidity down sharply this year, and that this autumn had seen evidence of indigestion in the market, with several rights issues failing.

France had some of its worst times in the second half of the month when, says Mr James Cornish, a strategist at County, the chilling feature was the rising volumes as the CAC 40 index declined. Many European analysts and strategists have been clinging to their preference for the market which, early in the year, looked like one of the best economic bets on the Continent.

However, on November 18, the French authorities unexpectedly increased domestic interest rates, just one month after the Bank of France had lowered them. This, combined with the influence of the 120-point drop in the Dow Jones Industrial Average on Wall Street on November 15, left Paris one of the weakest markets in Europe.

Mr Andrew Bell, director of European strategy at Barclays de Zoete Wedd, said in mitigation that the decline should be seen in the context of relative strength in French equities between June and mid-October when Germany, for example, went sideways or down.

In contrast, Italy performed much better than the rest of Europe in share price terms last month. In the FT-Actuaries World Index series for the four weeks to November 29, Europe was down 4.05 per cent while Italy showed a 1.83 per cent gain.

Mr Roberto Morelli of County says the direction of the market makes little difference when activity is chronically depressed. "We have suffered low volume for several months," he adds, noting that a typical L80bn a day recently – one way trade, through the Milan market – compares with L200bn on a moderately good day earlier this year, L700bn to L800bn at the market's peak of activity in 1986, and L400bn for weeks at a time only two years ago.

Will December be even worse, combining the sickening effect of the Pirelli fiasco with the holiday season? Unlikely, says Mr Morelli: "In volume terms, this market cannot have much more to fall."

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Aug 1991	Sept 1991	Oct 1991	Nov 1991	US $bn
Belgium	32.12	30.67	37.16	*39.40	1.17
France	90.82	102.57	110.92	102.02	18.37
Germany	106.68	80.36	86.43	91.47	56.25
Italy	7,712.00	6,428.00	7,530.80	7,105.40	5.80
Netherlands	11.74	9.98	11.24	11.97	6.53
Spain	585.00	476.00	516.08	529.26	5.15
Switzerland	10.40	9.10	9.30	10.50	7.31
UK	30.55	31.95	32.19	29.36	51.88

*Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. *Provisional.*
Source: County NatWest WoodMac.

EUROPE

Senior bourses show varied degree of recovery

SENIOR BOURSES showed a willingness to improve yesterday, but in some cases the depth of the recovery left a lot to be desired, *writes Our Markets Staff.*

PARIS rallied for a second day in futures and options-related trading. The CAC 40 index rose to a day's high of 1,680.05 before closing 26.06 or 1.6 per cent up at 1,671.62. Turnover was moderate at about FFr2bn after Wednesday's FFr2.7bn.

The gains were widespread. Elf Aquitaine, which had its government share issue postponed last week because of the limp stock market, picked up FFr10.80 to FFr370.80 in volume of 310,800 shares.

Nomura Research Institute Europe said in a note that the stock's recent weakness presented a buying opportunity. "While our revised central oil price assumption of $19 a barrel for 1992 has resulted in a downgrade of earnings forecasts, Elf still stands out as the cheapest international oil and gas stock, featuring a strong balance sheet and an attractive dividend yield," it said.

Paribas rose FFr5.90 to FFr310.40. The stock had fallen to year's lows recently on worries about the effect of the FFr924m share issue, underwritten by Paribas, at the Scoa trading group, in which Paribas already holds 30 per cent. Fears of the bank's exposure to the Maxwell group had also weighed on the shares. Yesterday, Scoa jumped FFr1.80 or 10.5 per cent to FFr19.

Peugeot gained FFr18 to FFr564 in 152,000 shares. Mr Jacques Calvet, chairman, confirmed that the carmaker's Citroën unit should break even in 1991.

FRANKFURT was mixed, and this was reflected in the day's most significant individual share price movements. In carmakers, it took only low-volume selling of Porsche to drop the shares DM30, or 5.5 per cent, to a 1991 low of DM520. However, Volkswagen recovered DM3.60 to DM288.10 after it said that it expected all domestic plants to operate at full capacity in 1992.

Among more speculative issues, Continental, the tyre-maker, eased DM5 to DM221 but this was still 12 per cent higher than 10 days earlier when co-operation talks with its Italian rival, Pirelli SpA, collapsed. While Asko rose DM7.50 to DM589.50, it was still 27 per cent lower than its November 23 level.

BHF-Bank climbed DM11 to DM395 after Advanta Management, the investment group, said that it held a 51 per cent stake in the construction company, Dyckerhoff und Widmann (Dywidag), having announced earlier that it had bought a stake of nearly 25 per cent in Dywidag from Philipp Holzmann. BHF holds a 10 per cent stake in Advanta. Dywidag was suspended.

The general market moved from a small early rise to a 2.77 decline to 625.45 in the FAZ index at midsession, recovering to show a 2.80 rise to 1,546.39 in the DAX at the close. Volume was flat, and low, at DM3.6bn.

AMSTERDAM rose on end-of-year bargain-hunting, encouraged by the higher dollar and strength on international markets. The CBS Tendency index opened at the day's low of 86.2 and closed at the session high of 86.9.

In the chemicals sector, Akzo gained Fl 2.30 to Fl 126.50 on optimism about its US prospects. But ING, the insurance and banking group, fell another 10 cents to Fl 44.60 on speculation that it would bid for Banque Bruxelles Lambert (BBL) of Belgium.

BRUSSELS followed other markets higher. The Bel20 index rose 5.06 to 1,066.60 in turnover of BFr648m. BBL gained another BFr105 to BFr3,240; the shares jumped BFr285 on Wednesday after their suspension on Tuesday on takeover rumours.

Electrorail, which is in financial difficulties, dropped BFr15 or 11.5 per cent to BFr115 on large sell orders.

MILAN achieved a limited extension of Wednesday's rebound, as the Comit index closed 1.88 better at 489.75 in turnover similar to Wednesday's L98bn. Dealers credited the gains to short-covering ahead of today's close of the December trading account.

MADRID recouped part of its recent losses. The general index added 1.01 to 238.97 in turnover of about Pta10bn after Wednesday's Pta9.5bn.

STOCKHOLM's shift of buying focus to Skandia, the insurance company, continued, with the shares up SKr9 or 6 per cent at SKr167 as the Affärsvärlden General index closed a mere 0.10 lower at 902.50.

HELSINKI improved after three successive year lows, the Hex index rising 2.1 to 779.1. However, the free shares index fell 6.9 to 842.5. Turnover fell from FM22m to FM12m, within which free shares shrank from FM11.2m to FM6.8m.

VIENNA dipped in quiet trading to a new 1991 low, with the ATX index losing 1.01 to 908.88. Universale, which had fallen heavily in recent days, recovered Sch30 to Sch1,110.

ISTANBUL's 75-share index fell 115.62, or 2.75 per cent, to 4,089.99. Anticipation of a Treasury bill auction lifted the index by 91.09 on Wednesday, but the result was in line with expectations and the market had no further incentive to move higher.

FT-SE Eurotrack 100 - Dec 12

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1034.67	1034.18	1035.79	1036.47	1037.83	1039.09	1039.99	1040.33

Day's High 1040.85 Day's Low 1033.91

Dec 11	Dec 10	Dec 9	Dec 6	Dec 5
1034.07	1034.94	1039.46	1041.38	1050.13

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG continued to decline. The all-gold index fell 24 or 1.9 per cent to 1,232, as bullion prices remained weak. Vaal Reefs shed R2 to R213. The industrial index slipped 4 to 4,153 and the overall index lost 14 to 3,480.

ASIA PACIFIC

Nikkei breaks losing streak as futures concern subsides

Tokyo

SMALL-LOT bargain hunting by domestic institutions and foreigners supported share prices yesterday, and the Nikkei average rose for the first time in six trading days, *writes Emiko Terazono in Tokyo.*

After opening at the day's low of 21,552.44 and hitting the day's high of 22,034.53 in the morning, the Nikkei closed 209.67 up at 21,712.57.

Active bargain hunting and buying in the futures market lifted prices in the morning. However, the index lost some of its gains in the afternoon on selling related to yesterday's expiry of December options contracts. Traders said holders of put options, or rights to sell, sold cash stocks to depress the index.

Volume fell to 220m shares from 300m. Domestic institutional investors such as life insurers and investment trusts were seen buying leading blue chip issues, as were some UK and Europe-based investors.

Gains led losses by 786 to 186, with 140 issues unchanged. The Topix index of all first section stocks added 16.34 at 1,683.04 and, in London trading, the ISE/Nikkei 50 index rose 15.74 to 1,266.07.

Traders said that some of the bearishness surrounding the market ahead of December futures settlements had subsided. Mr Chris Newton at James Capel Pacific said that the sharp fall on Wednesday, when the market dropped to a year's low in intraday trading, represented a selling peak.

"Investors are cautiously returning to buying, and there is none of the desperate anxiety that was prominent on Wednesday," he added.

Traders said most investors also believed that stocks had been oversold, and that the current weakness was not justified by the underlying economic fundamental factors such as lower inflation and the slowing economy.

The futures market also rose. Mr Richard Clayton, derivatives trader at County NatWest, said that futures trading had been volatile, but had been led by a strong upsurge in the cash market. He added that although net arbitrage selling was expected today, when the December futures settlements prices are determined, "some domestic buying at cheaper prices would not be surprising".

High-technology blue chip issues were bought by foreign investors. Sony improved Y10 to Y4,140 and Hitachi put on Y14 to Y915.

Leading industrial shares were also actively sought. Mitsubishi Heavy Industry firmed Y10 to Y681 and Nippon Steel Y3 to Y366. Nippon Telegraph and Telephone advanced Y24,000 to Y750,000.

Foreigners were also seen buying automobile issues. The sector has been hit by announcements of weak profits projections for the current year to March 1992. Nissan Motor climbed Y41 to Y669 and Toyota Y20 to Y1,470.

Brokerage stocks, sold heavily on Wednesday on rumours that a leading domestic house would go under, regained strength. Nomura Securities appreciated Y40 to Y1,600 and Daiwa moved up Y90 to Y1,200.

In Osaka, the OSE average rose 298.07 to 23,875.13 in volume of 29m shares. Construction, machinery, and electronics issues advanced on buying by foreign investors. Nintendo, the video game maker, added Y300 at Y11,800.

Roundup

THE POSSIBILITY of a decline in interest rates boosted Australia, but most other markets in the region were flat.

AUSTRALIA rose on hopes of an interest rate cut, as speculation grew that Mr Paul Keating, the former treasurer, would replace Mr Bob Hawke as prime minister. The All Ordinaries index gained 27.0 or 1.7 per cent to 1,591.6.

Turnover picked up to A$350m from A$229m, with heavy activity in BHP, which added 30 cents at A$13.48 in trading worth A$80m. Among the day's other winners, CRA moved ahead 36 cents to A$11.62 and News Corp rose 50 cents to A$13.80.

SEOUL advanced in busy trading on optimism about the North-South Korea talks, on news that the proposed ceiling on foreign holdings in certain stocks will be raised, and on buying by the market stabilisation fund. The composite index gained 12.25 to 653.40 in steady turnover of Won260bn.

HONG KONG's Hang Seng index lost an early improvement to close 1.23 lower at 4,096.00 after turnover of HK$991m, against HK$2.3bn.

TAIWAN was encouraged by the recovery in international markets, but trading remained cautious. The weighted index rose 38.18 to 4,439.97.

BOMBAY declined in new account trading as bears sold in anticipation of a fall. The BSE index retreated 22.87 or 1.2 per cent to 1,837.88.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 11 1991								TUESDAY DECEMBER 10 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	144.82	−0.8	118.63	118.27	118.70	124.76	−0.5	4.68	145.92	119.66	118.66	119.60	125.39	160.31	112.74	121.63
Austria (20)	159.54	−1.8	130.68	130.30	130.76	131.74	−1.2	2.19	162.46	133.22	132.12	133.16	133.31	222.37	153.86	210.49
Belgium (47)	134.74	+0.5	110.36	110.03	110.43	108.15	+0.5	5.48	134.06	109.94	109.02	109.88	107.62	151.20	118.04	138.62
Canada (115)	132.45	−1.2	108.49	108.17	108.55	109.43	−0.7	3.41	134.03	109.91	108.99	109.84	110.25	144.28	126.49	129.76
Denmark (37)	255.66	+0.0	209.41	208.80	209.54	213.32	+0.0	1.68	255.57	209.57	207.84	209.47	213.34	270.56	217.74	242.58
Finland (15)	74.69	−2.1	61.18	61.00	61.22	67.24	−1.8	3.62	76.29	62.56	62.04	62.53	68.50	125.15	74.69	105.20
France (109)	135.38	+0.5	110.89	110.56	110.95	114.31	+0.4	3.87	134.68	110.44	109.51	110.37	113.82	152.26	119.11	144.00
Germany (65)	110.43	−0.8	90.46	90.20	90.51	90.51	−0.8	2.55	111.28	91.25	90.51	91.21	91.21	125.35	94.15	122.72
Hong Kong (55)	168.85	−0.6	138.31	137.90	138.40	168.52	−0.6	4.41	169.96	139.37	138.21	139.31	169.59	176.14	119.62	127.54
Ireland (18)	157.40	+0.6	128.93	128.55	129.01	131.63	+1.0	3.81	156.47	128.31	127.25	128.25	130.31	182.46	132.88	158.23
Italy (77)	69.57	+1.4	56.98	56.81	57.02	61.81	+1.1	3.75	68.60	56.26	55.79	56.23	61.12	88.23	64.76	82.14
Japan (474)	127.22	−1.6	104.21	103.90	104.28	103.90	−1.1	0.82	129.24	105.98	105.10	105.94	105.10	146.97	118.23	130.85
Malaysia (68)	203.10	−0.5	166.36	165.86	166.46	214.87	−0.3	2.90	204.07	167.34	165.95	167.25	215.43	247.78	189.18	204.66
Mexico (17)	1258.70	−3.6	1031.02	1027.98	1031.66	4185.03	−3.6	1.22	1306.10	1071.03	1062.15	1070.51	4342.63	1404.63	534.45	604.01
Netherland (31)	143.80	−0.6	117.79	117.44	117.88	116.60	−0.6	4.63	144.69	118.65	117.67	118.60	117.29	148.25	125.70	134.75
New Zealand (14)	45.19	−0.6	37.02	36.91	37.04	43.27	−0.3	6.35	45.47	37.29	36.98	37.27	43.38	54.64	41.18	45.74
Norway (30)	171.84	−0.7	140.75	140.34	140.84	145.80	−0.3	1.77	172.97	141.83	140.66	141.77	146.09	223.24	157.08	210.13
Singapore (38)	203.07	−0.7	166.33	165.84	166.44	154.69	−0.6	2.26	204.57	167.75	166.36	167.66	155.55	213.93	151.63	161.98
South Africa (61)	254.84	−2.2	208.74	208.12	208.87	176.83	−0.8	2.79	260.62	213.71	211.93	213.60	178.29	271.99	173.00	179.57
Spain (53)	145.01	−1.0	118.78	118.44	118.86	110.96	−1.0	4.98	146.55	120.17	119.18	120.11	112.13	171.12	131.51	153.40
Sweden (25)	169.05	+0.3	138.47	138.06	138.56	144.15	+0.1	3.09	168.49	138.17	137.02	138.10	144.05	204.12	146.60	166.76
Switzerland (59)	94.19	−0.5	77.15	76.93	77.21	81.31	−0.6	2.45	94.67	77.63	76.99	77.60	81.84	100.67	82.17	92.36
United Kingdom (238)	172.04	−0.4	140.92	140.49	140.99	140.92	−0.5	5.31	172.73	141.64	140.45	141.56	141.84	187.44	156.27	167.83
USA (526)	153.95	−0.1	126.10	125.73	126.18	153.95	−0.1	3.17	154.06	126.35	125.30	126.29	154.06	181.59	125.95	133.37
Europe (824)	137.14	−0.3	112.34	112.01	112.41	113.04	−0.3	4.27	137.49	112.75	111.81	112.70	113.41	151.52	125.50	140.53
Nordic (107)	174.25	+0.0	142.73	142.31	142.82	141.86	−0.1	2.28	174.22	142.87	141.68	142.80	141.95	200.81	155.55	174.60
Pacific Basin (718)	128.69	−1.5	105.41	105.11	105.48	106.19	−1.1	1.17	130.62	107.11	106.22	107.06	107.35	145.92	117.86	130.03
Euro − Pacific (1542)	132.38	−1.0	108.43	108.11	108.49	109.66	−0.8	2.45	133.88	109.62	108.70	109.56	110.52	147.66	121.29	134.66
North America (641)	152.55	−0.1	124.96	124.60	125.05	150.93	−0.1	3.18	152.77	125.27	124.25	125.23	151.11	160.44	125.91	133.06
Europe Ex. UK (586)	116.25	−0.1	95.22	94.96	95.30	97.01	−0.2	3.50	116.41	95.46	94.69	95.43	97.20	129.80	103.56	123.47
Pacific Ex. Japan (244)	143.23	−0.7	117.32	117.00	117.41	127.85	−0.5	4.24	144.21	118.26	117.29	118.21	128.51	153.19	111.40	119.63
World Ex. US (1735)	134.39	−1.0	110.08	109.76	110.15	111.40	−0.8	2.48	135.78	111.34	110.43	111.29	112.29	148.16	122.32	135.21
World Ex. UK (2023)	136.92	−0.7	112.15	111.83	112.23	122.99	−0.5	2.43	137.90	113.08	112.15	113.04	123.65	146.16	120.06	130.16
World Ex. So. Af. (2200)	139.21	−0.7	114.03	113.70	114.11	124.23	−0.5	2.73	140.13	114.91	113.97	114.86	124.89	148.66	122.92	133.23
World Ex. Japan (1787)	148.06	−0.3	121.28	120.93	121.37	136.25	−0.3	3.60	148.47	121.75	120.75	121.71	136.60	155.59	126.69	136.20
The World Index (2261)	139.98	−0.7	114.66	114.32	114.74	124.71	−0.5	2.73	140.94	115.57	114.62	115.52	125.38	149.37	123.28	133.51

Latest prices were unavailable for this edition.

هكذا من الأصل

RECRUITMENT

JOBS: Time-honoured educational attitudes outdated by employment market changes

Why useful lessons are few and far between

WOULD readers who did well in academic exams please help the Jobs column with an inquiry? All you have to do is *think of the teachers you had* in your formal education, and identify those who taught you something that is of actual use to you now.

In asking the favour I am not so *much starting a new inquiry as* reviving one dating from my 20 years as FT education correspondent up to 1988. Like many people, before taking on that role I had believed *that*, having had *some education*, I must therefore understand it. But the longer I looked into the process, the more puzzling it became.

After all, when theologians refuse to take it for granted that God is good, it seems unsafe simply to assume that education must be so. The education delivered to the Hitler Youth, for example, would not strike many folk as necessarily beneficial. In which case, how the process benefits its customers needs to be explained.

One such puzzle was what – except by issuing the examination certificates often just arbitrarily required for entry to prized jobs – education enables people to do. *Hence my query about teachers* who taught useful things, which I put to some hundreds of people during the 1970s and 80s. All, by the way, were aged at least in the mid-30s and fairly satisfied with their progress in life.

My reason for reviving the *inquiry today is an event I have* touched on several times lately. It is that, in Britain at least, the last recession has expunged, possibly for ever, many of the essentially *information-handling jobs for* which examination certificates have been seen as a necessary entry qualification. As an end in itself, therefore, exam-passing has been devalued.

Even honours degrees, I hear, are a drug on the employment market unless they are seen as directly applicable to productive work. However certifiedly bright candidates may be by the academic criteria of education, it appears that the market's first interest is in whether they can do something useful by the practical yardsticks of the workaday world.

So there now seems to be yet greater relevance in asking how many of our teachers taught us things still "of actual use". And what I mean by those last three words is not general attributes such as tolerance, which we doubtless all exhibit except when we feel justified in doing otherwise. While civilising us in the broad sense is an important aim of education, *it* surely ought to teach us something specifically practical too – which is what I am trying to get at.

Readers minded to consider the *question may care to know what I* learned from putting it to people *face-to-face*. My first finding was that none of them, even though some recalled having over three dozen *teachers*, could name more than four who taught them something still of actual use. In most cases, the number was only three.

They virtually always included a primary-school teacher who had established the basics of the Three Rs: reading, 'riting and 'rithmetic. Often, however, early arithmetical proficiency had not saved the pupils from floundering in their *later algebra and geometry lessons* at secondary school, so ending up at best semi-numerate.

Most lists also included two secondary-school staff, and in their case an oddity emerged. Time and again, the lastingly useful thing they'd taught turned out to have little if any direct connection with the academic subject they were employed to teach.

My own list of three names contains an example: Mr Frank Norris of Stockport Grammar School. His job was to teach me French in which he was scarcely *successful because*, although I gained an Advanced-level pass in French literature, the scant heed to the spoken language has left me incapable even of ordering a boiled egg in it.

But in the process he required me to produce essays in English, and in the course of marking and discussing them he persuaded me that with hard work I might one day earn a living by writing my own mother tongue. I owe no like debt to his colleague employed to teach me English, who decided I wasn't good enough to study it for *the 18-plus exams*.

A further oddity emerged when, at a reunion, I put the question to a *dozen former* classmates at Stockport. Their answers uniformly included at least one teacher there, and again the useful thing learned was often extraneous to the subject taught. But the names they came up with were all different, the only one mentioned more than twice *being that of the English specialist* from whom I got nothing.

Whether those findings accord with readers' experience, I can of course only wait to learn. In the *meantime*, however, it seems fair to draw some tentative conclusions from the answers given in the past.

The first is that they conflict with the conventional idea that education consists of teachers collectively handing down a body of established knowledge to classes *of pupils, whose understanding of it* is later tested by examiners. That may be how education is officially given and assessed. But it would not appear to be the way in which the enduringly valuable bits of same are largely received.

From the recipients' viewpoint, the *majority of teachers* supplied nothing memorable, and the few who achieved as much often did so *outside the subject-matter scheduled* for delivery. The benefits arose, not so much from being taught academic subjects by expert expounders thereof, as from being able to form a productive relationship with just one or two teachers.

Moreover, to judge by the *replies of* my Stockport classmates, there is no such thing as a teacher who is good for a whole class of pupils. Each will tend to prove valuable to some, and a no-no to others. Nevertheless in *virtually* every case the most fundamentally important of the lot was some primary teacher who imparted the rudiments of the Three Rs.

So – given that the emphasis needs to be on learning useful things rather than exam-passing – *what does the evidence* to date imply for educational practices?

Well, for a start, it seems to endorse the British government's aim of improving the teaching of basics at the primary stage. But there is not much help in good teaching of basics early on if the effect is *undermined at the later* stage, as so often looks to happen with mathematics. To my mind, *the usual problem* there isn't *that* secondary-level maths teachers are insufficiently expert in the subject, but that their expertise in it blinds them to the difficulties of children *who find it daunting*.

The crucial implication, though, is surely that the usual school curriculum is largely unproductive. Too much of it consists of topics such as history and geography which serve mainly as platforms for transmitting academic knowledge, as distinct from vehicles for delivering skills. An example of the latter is the teaching of languages with emphasis on spoken use, which themselves open up broad *avenues for further learning*.

My favourite instance is the old grammar-school curriculum in the Netherlands, consisting of seven subjects which must include maths, Dutch, English, French, German and, I think, a science too. When I went there with a party of British educators in 1976, the policy-makers were planning to change it on grounds that it did not provide a sufficiently general education.

As the policy makers were all products of that curriculum, the response of us more liberally schooled Brits was to ask them - in *English, as none of us could speak* Dutch – in which ways they were less well generally educated than ourselves.

Answer came there none.

Michael Dixon

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

Chief Executive

The National Trust for Scotland

This is an exceptionally important, worthwhile and rewarding position. The National Trust for Scotland is Scotland's leading conservation body. A new Chief Executive is to be appointed on the retirement of the present incumbent in 1992.

THE NATIONAL TRUST FOR SCOTLAND

- The Trust plays a leading role in the preservation of Scotland's historic buildings and environment.
- The Trust owns 96,000 acres which are visited by over 2m people a year.
- Headquartered in Edinburgh, it employs over 300 full-time staff and has an income of more than £14m p.a.

THE POSITION

- Above all, the Chief Executive must lead, motivate and inspire the Trust's dedicated team; this will include working with volunteers at all levels.
- Responsibilities are very wide ranging. They include all aspects of the general management of the Trust including the maintenance of its properties, fund raising, financial control, marketing and liaison with local and central Government.
- The Chief Executive is supported by a high calibre management team: in turn, the position reports to the Chairman and Council.

QUALIFICATIONS

- Candidates may come from industry, finance or the public sector; an outstanding track record at senior level is vital, ideally linked to experience of dealing with local and central Government.
- We seek a person with presence and vision and, above all, a deep interest in Scotland and the conservation of its heritage.
- Candidates will be probably aged in their 40s to early 50s, with excellent administrative and people management skills.

Please write, enclosing full cv, Ref K3603ft
24 Carden Place, Aberdeen, AB1 1UQ

NB SELECTION LTD

LONDON • 071 493 6392
BIRMINGHAM • 021 233 4656 • BRISTOL • 0272 291142 • SLOUGH • 0753 819227
MANCHESTER • 0625 539953 • GLASGOW • 041 204 4334 • ABERDEEN • 0224 638080

Managing Director

To £70,000 + Benefits **London**

▪ *Our client is a Financial Institution with a position of high standing as an investment manager and private client bank. It is quoted on the London Stock Exchange, with well established institutional shareholders. As part of its policy to strengthen and extend its business, following a recent merger, our client will appoint a Managing Director of the Bank.*

▪ *Reporting to the Chairman, the Managing Director will be responsible for all aspects of the banking activities, with a particular emphasis on an innovative, professional marketing campaign and a tightly managed, well motivated, management structure. The client base of the Bank is predominantly private individuals, numbering some 20,000 from over 140 countries. The Bank does not arrange loans, allowing it to provide investments with maximum security and competitive returns.*

▪ *To be considered you should be an experienced, innovative manager in the financial services sector, who expects the business to be market led. Change management should be a demonstrable skill, including a users ability to design and run effective IT systems.*

▪ ***Please send career and personal details, specifically presented against this requirement and including current remuneration, quoting Ref PD196 to Peter Dell, of Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU.***

ERNST & YOUNG

MIDES CONSULTANTS

GENERAL MANAGER

POLISH SUBSIDIARY OF AN INTERNATIONAL COMPANY

We are one of the leading companies in the field of consumer products. According to our aggressive and successful marketing policy we would like to set up our presence in Poland - this is why we need YOU! Our General Manager has a substantial impact on the market success of our company in Poland. First priority should be given to the conceptual development and the successful introduction of Western brands on the Polish market and to end-users. The location will be Warsaw and the immediate surroundings.

Our ideal candidate (30 - 45 years old) should have a degree in economic sciences or a commercial education and several years of professional experience in the fields of marketing, sales and distribution, with international background. Excellent English is required, German would be an asset. Your entrepreneurial approach, initiative and creativity will contribute to a high extent to our expanding activities in Poland. According to your performance the possibilities for career advancement within our international network are outstanding. An attractive salary and benefits package will be offered.

If you are prepared to meet this challenge please send your written application including curriculum vitae under the reference no. 10010 to our consultant.

Mides Consultants • Kardinal-Faulhaber-Str. 15 • D-8000 München 2

Amsterdam • Berlin • Budapest • Dusseldorf • Frankfurt • Hongkong • Kopenhagen • London • Madrid • Mailand • Montreal • München • New York • Paris • Prag • Warschau • Wien • Zürich

BANKING FINANCE & GENERAL

FIXED INTEREST DEALER

City

Our client, a leading investment management company and part of a major banking group is seeking to recruit a Dealer to join their Fixed Interest team based in the City.

The dealing role involves executing client orders, keeping the Fund Management team informed of all relevant market information and maintaining and developing effective market contacts. Ideally you will have at least 3 years experience of Fixed Interest markets in a sales or dealing capacity and will be looking to a career progression that could lead you into Fund Management.

In return our client will offer a highly competitive salary plus car plus all the usual benefits that one would expect from a major banking group.

In the first instance please write, in confidence, with relevant details to: Peter Phillips, Rada Recruitment Communications Ltd., 195 Euston Road, London NW1 2BN, listing any companies to whom you do not wish your details forwarded. All applications will be acknowledged.

Rada
RECRUITMENT COMMUNICATIONS

APPOINTMENTS ADVERTISING

appears every Wednesday & Thursday

& Friday (International edition only)

For further information please call

Richard Jones
071-873 3460

Teresa Keane
071-873 3199

Alison Prin
071-873 3607

Phillip Wrigley
071-873 3351

GULF OPPORTUNITIES

TAX FREE SALARIES ***FULL EXPATRIATE PACKAGE***

Our client is a very prestigious Gulf based financial institution which now wishes to extend its scope of activities by establishing a new in-house investment function. Retained to assist them in this exciting venture, *we currently seek to identify the following key specialists.*

CHIEF DEALER

The primary requirement is to set up and supervise a dealing operation which will trade fixed income securities, forex and money market instruments. Responsibilities will also include the establishment of back office controls and procedures.

ACCOUNTANT

As head of the accounting function you will be responsible for enhancing the existing accounts system, setting up a multi-currency facility to record investment, option and future transactions together with associated reporting and accounting duties. Fluency in Arabic is required.

FINANCIAL ANALYST

You will be responsible for the evaluation of new investment opportunities, including real estate, as well as the identification of effective financing packages. Fluency in Arabic is essential.

ECONOMIST

Arabic speaking and highly versed in the most modern evaluation techniques, the successful candidate will be responsible for preparation of economic and financial reviews and the identification of investment opportunities. In-depth involvement in the formulation of investment strategy will be a prime feature of the position.

Interested applicants should send their Curriculum Vitae in confidence to:
Walter Brown or Philip Wright or telephone for an initial discussion.

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

7 Birchin Lane,
London EC3V 9BY

Devonshire Executive Ltd

Tel: 071 895 8050
Fax: 071 626 2092

A member of The Devonshire Group Plc

FT/LES ECHOS

A leading French industrial company operating in fifteen countries is currently seeking is Financial Controller for its brazilian factory (turnover 350 Million french francs)

Financial Controller

Sao Paulo **Package 500 KF ±**

Reporting both to the general manager in Brazil and the group financial controller in France the financial controller will be responsible for the production of all financial statements, the reporting, budgeting taxation and cost control. He will be in charge of EDP.

Managing a team of 30 people the controller will establish and develop relationships with local banks an professional advisors.

Aged in his mid thirty's the candidate has already had a position based overseas.

Fluent in both french and portuguese he can justify an experience within an industrial context.

Dynamic an business orientated this position also requires capacity of management and sens of autonomy.

Could you call back Alain Noret, (33.1) 45.53.26.26. or send CV + photo + n°tél. + rem. actuelle a **Michael Page International**, 30 bis rue Spontini 75116 PARIS, sous réf.AN7668FT.

MP

Michael Page International

confidential

Pan Europe Insurance Analyst

A leading global investment bank, our client is in the process of developing an already successful Marketing Strategy. The aim is to expand the bank's activities in both Western and Eastern Europe.

To help ensure the success of these new developments, our client is seeking a Pan Europe Insurance Analyst to join its rapidly expanding Equity Research department.

You would hold an advanced business degree and come from a relevant industrial background, you should also have a keen interest in diversifying your career. Fluency in German would be an advantage.

With a requirement for a professional of the highest calibre, our client is willing to negotiate an appropriate remuneration package.

In the first instance, please send a full CV (together with a separate list of companies to whom you would not wish your application to be forwarded) to Richard Lewis, Riley Advertising (London) Ltd., Confidential Service, 159 Hammersmith Road, London W6 8BS.

Please quote ref: FT/504.

RILEY

ACCOUNTANCY COLUMN

ASB ignites a fuse and awaits the outcome

By Andrew Jack

ONE REMARKABLE object stands out in the rather spartan office of Mr David Tweedie, the chairman of the Accounting Standards Board, on the top floor of a modern office block in Gray's Inn Road in London.

It is a small clock with a modern face, mounted on the side of two bright red pieces of fake dynamite and topped with some curly green wire.

If the fuse was not ignited when the ASB was first launched last year, it most certainly has been now in response to the latest bundle of draft standards issued yesterday: probably too much paper for most people to digest at one sitting.

The financial reporting exposure draft (FRED 1) on the structure of financial statements contains few surprises for those who read the discussion draft published in April. But it throws up fundamental changes which are now almost certain to be reflected in the final standard.

The discussion paper on accounting for capital instruments – a weighty 102 page tome – is more of a surprise, and will take correspondingly longer to be converted into a standard sometime in early 1993, according to current plans.

Alongside FRED 1 comes an exposure draft of Chapter 6 of the ASB's statement of principles covering the presentation of financial information, out of sequence with Chapters 1 and 2 which have already been released.

Elsewhere the ASB has also begun to stoke strong debate, attracting criticism in the last few weeks, for example, from bodies such as the Law Society and the Institute of Chartered Accountants of England and Wales for its proposed standard on the treatment of securitisations.

They all point out the prospect of collision between the ASB and those who prepare accounts, as they seen how its principles are drafted into standards that must be worked by.

FRED 1, a true child of the ASB rather than an inheritance from the old Accounting Standards Committee, has already provoked a large volume of comments. Some 340 copies of the discussion draft were despatched; they generated 75 responses.

> **There will be less scope for creative accounting and more requirements to disclose information on acquisitions, continuing operations and revenue expenditure**

"The extent of this consultation stage has far exceeded that which the Board had originally planned," reads the report. Mr David Tweedie, ASB chairman, puts it more bluntly: "We were quite taken aback by the responses. They were higher than normal."

Most of the reactions, he says, were positive. "There is a feeling that now is the time to clean things up. Auditors find it difficult to take a hard line when there are so many variations." Most users of accounts welcomed the greater and less ambiguous disclosure the standard seems to offer, he says.

On the other hand, Tweedie concedes, the preparers of accounts – the companies themselves – are less content. There will be less scope for creative accounting and more requirements to disclose information on acquisitions, continuing operations and revenue expenditure.

FRED 1 itself contains evidence of dissent. One anonymous member of the nine people on the ASB voted against the draft and issued a dissenting opinion at the end of the document. (It would take four of the nine votes on the board to prevent a standard from being approved.)

The dissenter complains about the treatment of disposals of non-current assets, which will be absorbed above the line as exceptional items. He (there are no women on the board) argues that they will distort profit and earnings per share figures, and create "lumpy" figures which are not comparable year by year.

Mr Roger Davis, head of audit at Coopers & Lybrand Deloitte, who followed the original discussion draft closely, welcomes the proposals, but emphasises the trade-off between greater information and additional complexity. "It shifts the onus from a single [profit] figure in neon lights to something rather more complicated," he says. "The accounts are going to look very complex."

He believes the move towards the elimination of extraordinary items is inevitable. "This will make auditors' lives much easier," he says. In the past he argues that auditors have had to make highly subjective judgments and come under what he calls "responsible pressure". Directors acting on behalf of their shareholders notice that their competitors are putting items below the line, and want to be able to do likewise.

Revenue investment (dubbed "discretionary expenses" in the discussion draft) covers training, advertising, research and development, and major refurbishment projects. Only expenditure on research and development must currently be revealed by law.

Davis is guarded on the disclosure it involves, and argues that the main difficulty will be defining which items fall within these four categories. "It will be interesting to see what sort of debate takes place," he says. "It's going to be extremely difficult to police, but it's worth a try."

> **The Accounting Standards Board is prepared to deal with any attempt by financial institutions to create new instruments which circumvent the rules**

Companies are likely to balk at publishing information which might compromise their competitive position. However, Tweedie suggests that data on large advertising campaigns are already available through published information, and that the requirement for disclosure only for large companies and not for individual subsidiaries will prevent the figures from being linked too directly to individual operations.

Davis takes issue with what he sees as an underlying assumption running through the ASB requirements: that of using accounts to predict future performance of the company. "Accounts can only be a record of the past," he says. "Their prime purpose is to report on the stewardship of the management over shareholders' funds. They always give an imperfect view of the future."

That trend for greater information to help project future performance is nevertheless an important theme in the draft of Chapter 6, the statement of principles on the presentation of financial information. It calls for statistics and management commentary to back up the figures required in the accounts.

Given this emphasis, some critics have suggested that the third document released yesterday, on capital instruments (devices to raise money with an obligation by the issuer to repay), represents something of a climbdown from the ASB's aggressive approach until now. It does not consider derivatives, and the even the ASB describes its own proposals as evolutionary rather than revolutionary.

The chances are that financial institutions will swiftly try to create new instruments which circumvent the accounting standard once it is in place. However, Tweedie says: "We have laid out our principles, and it depends now on whether account preparers are willing to stick to the spirit. If the evasion industry gets to work, we'll change the principles or ban the practice."

That will involve work for the Urgent Issues Task Force, and could ultimately lead to battles in court and challenges to the validity of the ASB's sacred standards. Tweedie must be hoping that the fuse on his clock is a long one.

هكذا من الأصل